Consolidated Financial Statements

USHIO INC.

Year ended March 31, 2023 with
Independent Auditor's Report

Independent Auditor's Report

The Board of Directors
USHIO INC.

Opinion

We have audited the accompanying consolidated financial statements of USHIO INC. (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of non-current assets in the imaging equipment business	
Description of Key Audit Matter	**Auditor's Response**
Certain consolidated subsidiaries manufacture and sell cinema and general imaging projectors (the "projectors") to customers worldwide. Although demand in the cinema and general imaging business lines was on a recovery track as movie theaters resumed operations and events, mainly in Europe and the United States, net sales and operating income (loss) were affected due to the loss of sales opportunities arising from the global shortage of	We mainly performed the following audit procedures on the estimates of total undiscounted future cash flows used in determining whether to recognize an impairment loss on property, plant and equipment and intangible assets in the imaging equipment business. We also involved component teams in performing these audit procedures. ・ We evaluated the design and operating effectiveness of internal controls related

components such as semiconductors and from a surge in raw material prices. As a result, indications that certain asset groups in the imaging equipment business may be impaired were identified, including manufacturing facilities of the projectors. In order to determine whether recognizing an impairment loss was necessary, the Company made estimates of future cash flows. External factors, such as the recovery and growth of the cinema and general imaging markets, forecasts for the normalization of supplies of components, and uncertainty about surges in raw material prices, affect estimates of future cash flows. As described in the Notes to Consolidated Financial Statements (Significant Accounting Estimates), the Company did not recognize any impairment losses during the fiscal year ended March 31, 2023 for specific asset groups in the imaging equipment business related to property, plant and equipment with carrying amounts of 6,935 million yen and intangible assets of 951 million yen since the total undiscounted future cash flows generated from the asset groups exceeded the book values of each asset group. Future cash flows are estimated mainly based on business plans authorized by the Board of Directors and growth rates for subsequent periods. The key assumptions used in estimating future cash flows are net sales growth rates and increases in operating expenses, such as raw material and labor costs. Net sales growth rates and increases in operating expenses, which are key assumptions used by the Company, are of particular significance because they are greatly affected by the recovery and growth of the cinema and general imaging markets, forecasts for the normalization of supplies of components, and surges in raw material prices, as described above. The estimation of future cash flows, which include these assumptions, involves a high level of uncertainty as well as the book values of the corresponding non-current assets that are affected are also material. Based on the above, we have determined that the impairment of non-current assets in the	to the determination of whether to recognize an impairment loss. ・ To evaluate the accuracy of management's estimates, we compared prior year business plans with subsequent actual figures. ・ We compared the estimation period for future cash flows to the remaining useful lives of major assets. ・ We assessed the consistency of future cash flows with the business plans authorized by the Board of Directors. ・ We discussed with management regarding significant assumptions, as well as the effects of the recovery and growth of the cinema and general imaging markets, forecasts for the normalization of supplies of components, and surges in raw material prices on these assumptions. We also compared the assumptions to available external data. ・ We performed a sensitivity analysis for the significant assumptions taking into consideration future fluctuation risks.

imaging equipment business is a key audit matter.	

Revenue recognition for lithography equipment and EUV light sources in the optical equipment business	
Description of Key Audit Matter	Auditor's Response
As described in the Notes to Consolidated Financial Statements (Segment Information, etc.), the Company's consolidated net sales include sales to external customers in the optical equipment business segment of 57,794 million yen, an increase of 9,408 million yen, or approximately 19%, from the previous fiscal year. Products in the optical equipment business include projection lithography equipment for advanced IC package substrates and direct imaging lithography equipment for packages and printed circuit boards manufactured and sold by the Company and certain consolidated subsidiaries. In addition, the Company manufactures and sells EUV light sources for mask inspections necessary in EUV lithography used in the manufacturing of next-generation semiconductors where ultra-miniaturization is progressing. Sales of the above-mentioned lithography equipment are affected by semiconductor-related markets and have been increasing in recent years due to the ongoing demand gains for data center servers in view of the deployment of 5G technology and progress with the Internet of Things (IoT). However, at the end of the current fiscal year, there were some adjustments to delivery dates due to discrepancies in customer investment plans and a slowdown in demand for end products such as semiconductors. Amidst this environment, projection lithography equipment for advanced IC package substrates and direct imaging lithography equipment for packages and printed circuit boards, which are handled by the Company and certain consolidated subsidiaries, are in demand for laminating printed wiring boards. Capital expenditure plans varied for equipment manufacturers, the Company's customers, and net sales increased to meet	We mainly performed the following audit procedures related to the timing and appropriateness of amounts recorded for revenue recognition for lithography equipment and EUV light sources. We also involved component teams in performing audit procedures for revenue recognition by subsidiaries. ・ We evaluated the design and operating effectiveness of internal controls related to revenue recognition. ・ To ensure consistency with the auditors' understanding of market and business trends, we compared, by product type and by major customer, net sales of lithography equipment and EUV light sources to external data available on trends in semiconductor-related markets and with regard to semiconductor equipment manufacturers, production capacity associated with increases in capital investment, and manufacturing costs, such as the cost of purchased components. ・ To identify performance obligations, we inspected sales contracts and maintenance service contracts with significant customers and made inquiries of relevant business divisions. ・ To examine the necessity of combining contracts and stand-alone selling prices, we made inquiries of related business divisions regarding the timing of the conclusion of significant contracts as well as compared selling prices to those in the previous fiscal year. ・ To determine whether the performance obligations relating to the sales of lithography equipment and EUV light sources have been satisfied, we inspected the purchase orders and acceptance certificates obtained from external customers with respect to sales that are material.

customer demand. Net sales of EUV light sources increased from the previous fiscal year as after-sales maintenance services for EUV light source inspection equipment continued against the background of growing demand for the mass production of next-generation semiconductors, despite a correction phase in the EUV mask inspection market. As a result, lithography equipment and EUV light sources were major contributors to the increase in net sales to external customers in the optical equipment business segment and have had a significant impact on the Company's operating results. Moreover, as product sales of these lithography equipment and EUV light sources require high product performance and steady operation through the use of cutting-edge technologies, revenue is recognized when the confirmation of agreed performance such as the customer's acceptance of the product has been completed, as described in the Notes to Consolidated Financial Statements (Revenue Recognition). In addition, revenue for after-sales maintenance services is recognized over time or when maintenance services are provided, depending on the terms and conditions of the contract. However, service specifications have become more diverse and the terms and conditions of contracts have become more complex, and variable considerations based on a product's utilization rate have been included for certain products. Accordingly, high product performance and steady operation are particularly important in terms of generating sales of lithography equipment and EUV light sources. Therefore, in many cases, it is necessary to make judgments in accordance with actual conditions in order to satisfy performance obligations through customer acceptance. In addition, estimations of variable consideration involve uncertainty and subjectivity. Based on the above, we have determined that the timing and appropriateness of amounts recorded in revenue recognition	・ To determine whether or not additional costs for satisfying performance obligations were recorded after recording sales, we inspected cost breakdowns by product and made inquiries of related divisions regarding details of the costs. ・ To assess the accuracy of variable consideration for maintenance services, we made inquiries of persons responsible for the status of the agreement process with customers subsequent to fiscal year-end and inspected the operating records and agreement proposals submitted to customers.

for lithography equipment and EUV light sources is a key audit matter.	

Other Information

Other information comprises the information included in the disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 (9) to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 31, 2023

牧野　幸享

Designated Engagement Partner
Certified Public Accountant

Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheet

	As of March 31, 2022	As of March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Assets			
Current assets			
Cash and deposits	88,687	64,219	480,899
Notes and accounts receivable - trade, and contract assets (*1)	35,292	38,491	288,237
Securities	4,937	2,591	19,404
Merchandise and finished goods	26,169	31,481	235,745
Work in process	20,282	25,101	187,970
Raw materials and supplies	18,891	26,872	201,230
Other	10,134	11,787	88,272
Allowance for doubtful accounts	(2,686)	(2,025)	(15,170)
Total current assets	201,708	198,519	1,486,589
Non-current assets			
Property, plant and equipment			
Buildings and structures	47,161	48,513	363,289
Accumulated depreciation	(29,767)	(31,365)	(234,879)
Buildings and structures, net	17,393	17,147	128,410
Machinery, equipment and vehicles	27,875	28,146	210,772
Accumulated depreciation	(20,212)	(21,058)	(157,697)
Machinery, equipment and vehicles, net	7,662	7,087	53,074
Land	8,630	8,684	65,032
Right of use assets	–	3,589	26,880
Accumulated depreciation	–	(783)	(5,864)
Right of use assets, net	–	2,806	21,016
Construction in progress	2,708	3,363	25,189
Other	41,498	42,767	320,259
Accumulated depreciation	(31,730)	(31,377)	(234,968)
Other, net	9,768	11,389	85,291
Property, plant and equipment, net	46,162	50,480	378,014
Intangible assets			
Goodwill	235	252	1,888
Other	2,755	2,782	20,837
Total intangible assets	2,991	3,034	22,725
Investments and other assets			
Investment securities (*2)	59,146	58,484	437,952
Long-term loans receivable	15	20	151
Deferred tax assets	4,135	4,333	32,454
Net defined benefit asset	5,592	6,647	49,776
Other	1,924	2,224	16,660
Allowance for doubtful accounts	(580)	(121)	(912)
Total investments and other assets	70,234	71,588	536,083
Total non-current assets	119,388	125,103	936,822
Total assets	321,096	323,622	2,423,412

	As of March 31, 2022	As of March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Liabilities			
Current liabilities			
Notes and accounts payable-trade	21,164	26,205	196,239
Short-term loans payable	2,185	3,921	29,362
Current portion of long-term loans payable	16,402	-	-
Lease liabilities	12	796	5,962
Income taxes payable	3,828	3,210	24,038
Contract liabilities	14,388	11,731	87,853
Provision for bonuses	2,699	2,530	18,947
Provision for product warranties	2,597	3,775	28,275
Provision for loss on order received	-	0	0
Other	9,113	10,239	76,677
Total current liabilities	72,393	62,410	467,357
Non-current liabilities			
Long-term loans payable	-	1,410	10,558
Lease liabilities	61	2,189	16,393
Deferred tax liabilities	7,823	7,997	59,885
Provision for directors' retirement benefits	270	237	1,775
Provision for directors' stock payment	146	193	1,452
Net defined benefit liability	4,054	3,839	28,749
Asset retirement obligations	302	318	2,384
Other	842	921	6,900
Total non-current liabilities	13,500	17,106	128,098
Total liabilities	85,893	79,517	595,455
Net assets			
Shareholders' equity			
Capital stock	19,556	19,556	146,445
Capital surplus	27,727	27,767	207,935
Retained earnings	161,877	164,332	1,230,582
Treasury shares, at cost	(9,032)	(8,733)	(65,398)
Total shareholders' equity	200,129	202,922	1,519,565
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	21,399	19,869	148,793
Foreign currency translation adjustment	14,186	20,779	155,606
Remeasurements of defined benefit plans	(598)	520	3,897
Total accumulated other comprehensive income	34,988	41,170	308,297
Non-controlling interests	84	12	94
Total net assets	235,202	244,105	1,827,956
Total liabilities and net assets	321,096	323,622	2,423,412

2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Net sales (*1)	148,821	175,025	1,310,656
Cost of sales (*2)	94,792	111,809	837,276
Gross profit	54,029	63,215	473,380
Selling, general and administrative expenses (*3, 4)	40,960	47,353	354,600
Operating profit	13,068	15,861	118,779
Non-operating income			
Interest income	670	1,602	12,002
Dividend income	914	1,051	7,871
Foreign exchange gains	377	1,909	14,297
Realized and unrealized profit on trading securities, net	207	10	80
Gain on investments in investment partnerships	26	24	180
Subsidies for employment adjustment	468	-	-
Other	338	353	2,646
Total non-operating income	3,004	4,951	37,078
Non-operating expenses			
Interest expenses	329	218	1,633
Share of loss of entities accounted for using equity method	86	115	866
Loss on specified money in trust	101	87	656
Loss on sale of securities	-	57	428
Loss on valuation of securities	28	80	605
Settlement payments	119	-	-
Other	211	109	817
Total non-operating expenses	877	668	5,008
Ordinary profit	15,195	20,144	150,849
Extraordinary income			
Gain on sales of non-current assets (*5)	1,153	216	1,617
Gain on sales of investment securities	17	963	7,216
Gain on sale of businesses (*9)	-	360	2,695
Total extraordinary income	1,171	1,539	11,530
Extraordinary losses			
Loss on retirement of non-current assets (*6)	98	81	606
Loss on sales of non-current assets (*7)	11	9	68
Impairment loss (*8)	164	588	4,409
Loss on sales of investment securities	15	35	268
Loss on valuation of investment securities	1	212	1,589
Loss on sale of shares of subsidiaries and associates	-	188	1,411
Business structure improvement expenses (*10)	161	348	2,607
Loss on temporary closure (*11)	151	-	-
Total extraordinary losses	603	1,463	10,962
Profit before income taxes	15,762	20,220	151,416
Income taxes-current	5,470	6,432	48,171
Income taxes-deferred	(2,327)	93	703
Total income taxes	3,143	6,526	48,874
Profit	12,619	13,693	102,542
Profit (loss) attributable to non-controlling interests	13	(6)	(46)
Profit attributable to owners of the parent	12,606	13,699	102,588

Consolidated Statement of Comprehensive Income

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Profit	12,619	13,693	102,542
Other comprehensive income			
Valuation difference on available-for-sale securities	3,119	(1,529)	(11,456)
Deferred gains or losses on hedges	3	-	-
Foreign currency translation adjustment	10,553	6,558	49,112
Remeasurements of defined benefit plans	835	1,118	8,375
Share of other comprehensive income of entities accounted for using equity method	56	41	309
Total other comprehensive income	14,569	6,188	46,341
Comprehensive income	27,188	19,881	148,883
Comprehensive income attributable to;			
Owners of the parent	27,169	19,880	148,875
Non-controlling interests	19	1	7

3) Consolidated Statement of Changes in Net Assets

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	19,556	27,727	152,448	(9,055)	190,676
Cumulative effects of changes in accounting policies			(35)		(35)
Restated balance	19,556	27,727	152,412	(9,055)	190,641
Changes of items during period					
Dividends from surplus			(3,141)		(3,141)
Profit attributable to owners of the parent			12,606		12,606
Purchase of treasury shares				(5)	(5)
Disposal of treasury shares				28	28
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	9,465	22	9,487
Balance at end of current period	19,556	27,727	161,877	(9,032)	200,129

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	18,280	(3)	3,582	(1,433)	20,426	77	211,180
Cumulative effects of changes in accounting policies							(35)
Restated balance	18,280	(3)	3,582	(1,433)	20,426	77	211,145
Changes of items during period							
Dividends from surplus							(3,141)
Profit attributable to owners of the parent							12,606
Purchase of treasury shares							(5)
Disposal of treasury shares							28
Net changes of items other than shareholders' equity	3,119	3	10,603	835	14,562	6	14,569
Total changes of items during period	3,119	3	10,603	835	14,562	6	24,057
Balance at end of current period	21,399	-	14,186	(598)	34,988	84	235,202

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	19,556	27,727	161,877	(9,032)	200,129
Changes of items during period					
Dividends from surplus			(6,041)		(6,041)
Profit attributable to owners of the parent			13,699		13,699
Purchase of treasury shares				(5,004)	(5,004)
Disposal of treasury shares				6	6
Cancellation of treasury shares			(5,296)	5,296	-
Purchase of shares of consolidated subsidiaries		40			40
Change in scope of consolidation			92		92
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	40	2,454	299	2,793
Balance at end of current period	19,556	27,767	164,332	(8,733)	202,922

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	21,399	-	14,186	(598)	34,988	84	235,202
Changes of items during period							
Dividends from surplus							(6,041)
Profit attributable to owners of the parent							13,699
Purchase of treasury shares							(5,004)
Disposal of treasury shares							6
Cancellation of treasury shares							-
Purchase of shares of consolidated subsidiaries						(73)	(33)
Change in scope of consolidation							92
Net changes of items other than shareholders' equity	(1,529)	-	6,592	1,118	6,181	1	6,182
Total changes of items during period	(1,529)	-	6,592	1,118	6,181	(72)	8,902
Balance at end of current period	19,869	-	20,779	520	41,170	12	244,105

Fiscal year ended March 31, 2023

(Thousands of U.S. dollars)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares, at cost	Total shareholders' equity
Balance at beginning of current period	146,445	207,634	1,212,205	(67,638)	1,498,646
Changes of items during period					
Dividends from surplus			(45,238)		(45,238)
Profit attributable to owners of the parent			102,588		102,588
Purchase of treasury shares				(37,472)	(37,472)
Disposal of treasury shares				47	47
Cancellation of treasury shares			(39,664)	39,664	-
Purchase of shares of consolidated subsidiaries		301			301
Change in scope of consolidation			692		692
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	301	18,377	2,239	20,918
Balance at end of current period	146,445	207,935	1,230,582	(65,398)	1,519,565

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	160,250	-	106,237	(4,478)	262,009	634	1,761,290
Changes of items during period							
Dividends from surplus							(45,238)
Profit attributable to owners of the parent							102,588
Purchase of treasury shares							(37,472)
Disposal of treasury shares							47
Cancellation of treasury shares							-
Purchase of shares of consolidated subsidiaries						(551)	(250)
Change in scope of consolidation							692
Net changes of items other than shareholders' equity	(11,456)	-	49,368	8,375	46,287	11	46,298
Total changes of items during period	(11,456)	-	49,368	8,375	46,287	(540)	66,665
Balance at end of current period	148,793	-	155,606	3,897	308,297	94	1,827,956

4) Consolidated Statement of Cash Flows

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Operating activities			
Profit before income taxes	15,762	20,220	151,416
Depreciation	6,939	7,615	57,024
Impairment loss	164	588	4,409
Increase (decrease) in net defined benefit liability	(55)	(141)	(1,058)
Amortization of goodwill	163	169	1,269
Increase (decrease) in allowance for doubtful accounts	(360)	(58)	(435)
Business structure improvement expenses	161	348	2,607
Interest and dividend income	(1,585)	(2,653)	(19,873)
Subsidies for employment adjustment	(468)	-	-
Interest expenses	329	218	1,633
Loss (gain) on trading securities	(207)	(10)	(80)
Share of loss (profit) of entities accounted for using equity method	86	115	866
Settlement payments	119	-	-
Loss (gain) on sales of non-current assets	(1,142)	(206)	(1,549)
Loss on retirement of non-current assets	98	81	606
Loss (gain) on sales of investment securities	(2)	(927)	(6,947)
Loss (gain) on valuation of investment securities	1	212	1,589
Loss (gain) on sale of shares of subsidiaries and associates	-	188	1,411
Loss (gain) on sale of businesses	-	(360)	(2,695)
Decrease (increase) in notes and accounts receivable-trade	474	(2,696)	(20,194)
Decrease (increase) in inventories	(4,329)	(16,549)	(123,932)
Increase (decrease) in notes and accounts payable-trade	4,142	4,356	32,625
Increase (decrease) in contract liabilities	673	(3,369)	(25,233)
Other	641	(1,070)	(8,013)
Subtotal	21,607	6,069	45,447
Interest and dividends received	1,641	2,662	19,934
Interest paid	(333)	(210)	(1,574)
Subsidy income for employment adjustment	688	-	-
Payment of business structure improvement expenses	(495)	(170)	(1,278)
Income taxes paid	(1,479)	(7,346)	(55,015)
Settlement paid	-	(131)	(987)
Net cash provided by (used in) operating activities	21,628	871	6,526

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Investing activities			
Payments into time deposits	(10,449)	(28,066)	(210,175)
Proceeds from withdrawal of time deposits	7,329	31,074	232,697
Payments of short-term loans receivable	(38)	(37)	(281)
Collection of short-term loans receivable	326	50	377
Purchase of securities	(89)	-	-
Proceeds from sales and redemption of securities	1,472	3,887	29,109
Purchase of property, plant and equipment	(5,958)	(7,767)	(58,165)
Proceeds from sales of property, plant and equipment	1,545	423	3,173
Purchase of intangible assets	(235)	(348)	(2,608)
Purchase of investment securities	(3,652)	(3,207)	(24,017)
Proceeds from sales and redemption of investment securities	3,903	2,733	20,469
Payments for acquisition of business	(52)	(210)	(1,577)
Proceeds from sale of businesses	-	360	2,695
Payments of long-term loans receivable	(10)	(23)	(172)
Collection of long-term loans receivable	370	2	19
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(47)	(354)
Other	18	0	6
Net cash provided by (used in) investing activities	(5,519)	(1,175)	(8,801)
Financing activities			
Net increase (decrease) in short-term loans payable	(3,960)	1,591	11,920
Proceeds from long-term loans payable	-	1,410	10,558
Repayment of long-term loans payable	(3,520)	(18,770)	(140,563)
Purchase of treasury shares	(5)	(5,004)	(37,472)
Cash dividends paid	(3,139)	(6,037)	(45,214)
Net cash provided by (used in) financing activities	(10,625)	(26,811)	(200,771)
Effect of exchange rate changes on cash and cash equivalents	5,717	3,011	22,551
Net increase (decrease) in cash and cash equivalents	11,200	(24,103)	(180,495)
Cash and cash equivalents at beginning of year	70,418	81,619	611,197
Cash and cash equivalents at end of year (*)	81,619	57,516	430,702

Notes to Consolidated Financial Statements

(Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 46

(2) The changes in the scope of consolidation for the fiscal year ended March 31, 2023 are as follows:

(Exclusion) ・One company excluded from the scope of consolidation due to merger with USHIO INC. (the "Company")
UIS, Inc.
・Two companies excluded from the scope of consolidation due to liquidation
Ushio Entertainment Holdings, Inc., WACOM ELECTRIC CO., LTD.
・One company excluded from the scope of consolidation due to sale of shares
USHIO MEDICAL TECHNOLOGY (SUZHOU) CO., LTD.

2. Application of equity method

(1) Number of associates under equity method: One
Name of major company:
KA Imaging Inc.

(2) The associate that is not accounted for using the equity method (Hokkaido Saladpaprika Co., Ltd.) is excluded from the scope of the equity method since such exclusion has an immaterial effect on the consolidated financial statements of USHIO INC. (the "Company") in terms of profit or loss (amount corresponding to the Company's equity position), retained earnings (amount corresponding to the Company's equity position) and others, and the entity, as a whole, is not material.

(3) The fiscal year-end dates of certain companies accounted for using the equity method are different from the consolidated fiscal year-end date. In preparing the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year end.

3. Fiscal years, etc. of consolidated subsidiaries

The consolidated subsidiaries whose fiscal year end is different from the consolidated fiscal year end are as follows:

Company name	Fiscal year-end date
USHIO (SUZHOU) CO., LTD.	December 31*1
USHIO SHANGHAI, INC.	December 31*1
USHIO (GUANGZHOU) CO., LTD.	December 31*1
USHIO (SHAOGUAN) CO., LTD.	December 31*1
CHRISTIE DIGITAL SYSTEMS (SHANGHAI) Co., LTD.	December 31*1
USHIO SHENZHEN, INC.	December 31*1
CHRISTIE DIGITAL SYSTEMS (SHENZHEN) CO., LTD.	December 31*1
United Designers of Architectural Lighting, Inc.	December 31*1

*1 Provisional financial statements as of the consolidated fiscal year-end date are used for these companies.

4. Accounting policies

(1) Valuation bases and methods for significant assets

(a) Securities

1) Trading securities

Carried at fair value (the cost of securities sold is calculated by the moving-average method)

2) Held-to-maturity securities

Carried at amortized cost (straight-line method)

3) Available-for-sale securities

Other than stocks, etc. without market prices:

Carried at fair value (Valuation difference is stated as a component of net assets in the consolidated balance sheets, the cost of securities sold is calculated by the moving-average method.)

Stocks, etc. without market prices:

Carried at cost using the moving-average method

4) Investments in an investment limited partnership and other similar partnerships (deemed as securities according to Article 2, paragraph 2 of the Financial Instruments and Exchange Act)

Carried at their corresponding equity value, based on the latest financial statements available prepared on the financial reporting dates as specified in the respective partnership agreements.

(b) Derivatives

Carried at fair value

(c) Money held in trust for investment purposes

Carried at fair value

(d) Inventories

1) Merchandise and finished goods, and work in process

Merchandise and finished goods, and work in process are stated principally at cost determined by the gross average method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability) for the Company and its domestic consolidated subsidiaries and at the lower of cost or market, cost being determined by the first-in, first-out method for overseas consolidated subsidiaries.

2) Raw materials

Raw materials are stated principally at cost determined by the moving-average method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability) for the Company and its domestic consolidated subsidiaries and at the lower of cost or market, cost being determined by the first-in, first-out method for overseas consolidated subsidiaries.

(2) Accounting policy for depreciation of significant assets

(a) Property, plant and equipment (excluding leased assets and right-of-use assets)

Depreciation of property, plant and equipment is calculated principally by the straight-line method.

The estimated useful lives of the major assets are as follows:

Buildings and structures:	2 to 50 years
Machinery, equipment and vehicles:	3 to 15 years
Others:	2 to 15 years

(b) Intangible assets (excluding leased assets)

Amortization of intangible assets is calculated by the straight-line method.

In addition, amortization of software for internal use is calculated by the straight-line method based on the estimated useful life of five years.

(c) Leased assets

Leased assets related to finance lease transactions that transfer ownership

Leased assets related to finance lease transactions that transfer ownership are depreciated by the same approach as the depreciation method applied to self-owned non-current assets.

Leased assets related to finance lease transactions that do not transfer ownership

Leased assets related to finance lease transactions that do not transfer ownership are depreciated by the straight-line method over the lease period that is deemed as the useful life, assuming no residual value.

(d) Right-of-use assets

Right-of-use assets are depreciated by the straight-line method over the lease period that is deemed as the useful life, assuming no residual value.

(3) Accounting policy for significant allowances

(a) Allowance for doubtful accounts

(i) The Company and its domestic consolidated subsidiaries

To prepare for losses from bad debts, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.

(ii) Overseas consolidated subsidiaries

To prepare for losses from bad debts, an estimated uncollectible amount is provided based on consideration of collectibility for individual receivables.

(b) Provision for bonuses

The provision for bonuses represents the amounts for future payments of employees' bonuses. The provision is recognized in the amount that is expected to be paid.

(c) Provision for directors' retirement benefits

Some of the consolidated subsidiaries recognize provision for retirement benefits for directors, corporate auditors and others in the full amount that would have to be paid if all the directors and corporate auditors resigned at the balance sheet date based on their internal regulations.

(d) Provision for directors' stock payment

Provision for directors' stock payment represents the amounts for future payments of the Company's stock to directors. The provision is recognized based on the amount that is expected to be paid, which is determined using points allocated to each director as prescribed in the share granting rules.

(e) Provision for product warranties

Provision for product warranties is recognized for expenses for after-sales service and free repairs for products sold by the Company and its consolidated subsidiaries in the estimated amount to be incurred in the future.

(f) Provision for loss on orders received

To provide for future losses on contracted orders received, the Company recognizes a provision for loss on orders received equal to the amount of losses it anticipates after the year-end. Such a provision is recognized when losses on orders received are probable and reasonably estimated at the end of the current fiscal year.

(4) Accounting treatment of retirement benefits

1) Method for attribution of estimated retirement benefits to periods

In the calculation of retirement benefit obligations, the expected retirement benefits attributed to the period up to the end of the current fiscal year are based on the benefit formula method.

2) Accounting method for actuarial gains or losses and past service costs

Past service costs are amortized by the straight-line method over a certain period (mainly 12 years) that is within the average remaining years of service of the eligible employees when the costs are incurred.

Actuarial gains or losses are amortized from the fiscal year following the fiscal year in which the gains or losses are recognized by the straight-line method over a certain period (mainly 12 years) that is within the average remaining years of service of the eligible employees when the gains or losses are recognized.

(5) Standards for the recognition of significant revenues and expenses

(a) Sales of products

For halogen lamps, discharge lamps and solid-state light sources, this is primarily the manufacturing and sales of various lamps. For the sales of these products, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. The alternative treatment prescribed in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition has been applied for products sold in Japan, and revenue is recognized when products are shipped provided that there is an ordinary length of time between shipping and when the control is transferred to customers.

For UV equipment, optical equipment and other, this is primarily the manufacturing and sales of various lithography equipment. For the sales of these products, where there is installation of such products based on a contract with the customer, customers generally do not receive benefits without the installation, so the products and installation are identified as a single performance obligation. In such case, the control of the assets is transferred to the customer when the confirmation of agreed performance such as the customer' s acceptance of the product has been completed, so that is when revenue is recognized. In addition, for some products that do not include installation work, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery.

For cinema equipment and general imaging equipment, this is primarily the manufacturing and sales of various projectors. For the sales of these products, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery.

(b) Provision of maintenance services

For UV equipment, optical equipment and other, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period. For contracts where the performance obligations are primarily satisfied when the provision of maintenance ends, revenue is recognized at such time. In addition, for optical equipment and some other products, variable consideration corresponding to the product' s capacity utilization rate is included in the transaction price only to the extent that it is highly probable that a material reversal of the cumulative amount of revenues recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

For cinema equipment and general imaging equipment, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period.

(6) Significant hedge accounting

(a) Hedge accounting

Deferral hedge is applied. When hedging foreign currency risk, certain domestic consolidated subsidiaries apply the foreign exchange rate designated in the forward contract when the transaction qualifies for such treatment.

(b) Hedging instruments and hedged items

Hedging instruments:	Forward foreign exchange contracts and interest rate swaps
Hedged items:	Monetary receivables and payables denominated in foreign currencies, forecasted transactions denominated in foreign currencies, securities and loans payable denominated in foreign currencies

(c) Hedging policy

The Company and its consolidated subsidiaries (collectively, the "Group") hedge the risks of fluctuation in foreign currencies and interest rates in accordance with internal management rules on financial market risk and derivative transactions.

(d) Method of assessing the hedge effectiveness

The hedge effectiveness is assessed by comparing the cumulative changes in fair value or cash flows of the hedged items and those of the hedging instruments during the period from the inception of the hedge to the time of determining the effectiveness, and based on the respective amount of changes.

(7) Method and period for amortization of goodwill

Goodwill is amortized using the straight-line method over a period representing its useful life.

(8) Scope of cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

(9) U.S. Dollar Amounts

For the readers' convenience, the accompanying consolidated financial statements with respect to the fiscal year ended March 31, 2023 have been presented in U.S. dollars by translating all yen amounts at ¥133.54 = U.S. $1.00, the exchange rate prevailing on March 31, 2023. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

(Significant Accounting Estimates)

1. Impairment of non-current assets

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2023

In the fiscal year ended March 31, 2023, the Company recognized indications of impairment for some asset groups comprising assets of consolidated subsidiaries within the "Imaging equipment business." As a result, the Company reviewed the necessity of recording an impairment loss.

As a result of the review, no impairment loss was recognized because the undiscounted future cash flows exceeded the book values said asset groups.

		Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
		(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Some asset groups in the "Imaging equipment business"	Property, plant and equipment	4,888	6,935	51,938
	Intangible assets	647	951	7,121

(2) Information on the nature of significant accounting estimates for identified items

1) Method of calculating the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2023

For non-current assets or asset groups for which there is an indication of impairment, if the total undiscounted future cash flows from the asset or asset group is less than the book value, the Group writes down the book value to the recoverable amount and records the amount of the write-down as an impairment loss.

2) Key assumptions used to calculate the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2023

(Some asset groups in the "Imaging equipment business")

There has been progress in the reopening of cinemas and the recovery in operating rates, primarily in Europe and the United States, and we expect the impact of the spread of COVID-19 itself will decline going forward.

On the other hand, we are still being affected by the delays in supply of components due to the shortage of semiconductors and supply chain disruptions, despite signs of an easing of the situation, and by soaring raw material prices caused by the Russia-Ukraine situation. Although it is difficult to accurately forecast when these issues will be resolved, the Group expects them to continue until the middle of the second half of the fiscal year ending March 31, 2024.

We have estimated the undiscounted future cash flows based on the value in use calculated by factoring in the impact of these issues on the net sales growth rate for major products and rise in operating expenses, such as raw material costs and labor costs.

3) Effect on the consolidated financial statements for the next fiscal year

If the impacts on the net sales growth rate and rise in operating expenses from factors including the protracted delays in supplies of components from suppliers and the surge in raw material prices exceed expectations, and the future differs from our assumptions in 2) above, impairment losses on non-current assets may be recorded in the next fiscal year.

2. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2023

		Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
		(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Some subsidiaries in the "Imaging equipment business"	Deferred tax assets	2,546	2,314	17,332
	Deferred tax assets (Before offsetting against deferred tax liabilities)	2,570	2,314	17,332

(2) Information on the nature of significant accounting estimates for identified items

1) Method of calculating the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2023

The Group determines the recoverability of deferred tax assets by making reasonable estimates of future taxable income for mainly each tax jurisdiction. For certain consolidated subsidiaries, the recoverability of deferred tax assets is determined by analyzing the cumulative profit or loss before income taxes for each company over a three-year period.

2) Key assumptions used to calculate the amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2023

The estimate of taxable income and profit or loss before income taxes is mainly based on the business plan used by the Group.

Supplies of components are being delayed by the semiconductor shortage, although there are some signs of alleviation. There are also supply chain disruptions, the Russia-Ukraine situation, and the consequent surge in raw material prices. Given the difficulties of accurately predicting the timing for these issues to be contained, the Group has assumed these impacts will continue until midpoint of the latter half of the fiscal year ending March 31, 2024. The impact of these changes on the net sales growth rate for major products and on the rise in operating expenses, such as raw material costs and labor costs, is factored into the business plan, which is the basis for the estimates.

In the "Imaging equipment business," due to progress in the reopening of cinemas and in the recovery in operating rates, primarily in Europe and the United States, we expect the impact of the spread of COVID-19 to decline going forward, and the impact is also factored into the business plan.

3) Effect on the consolidated financial statements for the next fiscal year

If the impacts on the net sales growth rate and rise in operating expenses from factors including the protracted delays in supplies of components from suppliers and the surge in raw material prices exceed expectations, and the future differs from our assumptions in 2) above, there is a risk that estimates for taxable income and profit or loss before income taxes will decrease, and the judgment of recoverability of deferred tax assets will be significantly impacted.

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

Ushio applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, issued on June 17, 2021) from the start of the year under review. The Company is prospectively applying the new accounting policy stipulated in the Implementation Guidance on Accounting Standard for Fair Value Measurement in line with the transitional provisions of Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This change has not affected the consolidated financial statements.

Moreover, in accordance with Paragraph 27-3 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, notes on investment trusts in the notes to “Financial Instruments” on matters related to the breakdown of fair values of financial instruments by levels and other matters have been omitted for the previous fiscal year.

(Application of Leases (ASU No. 2016-02 (Topic 842)))

Foreign subsidiaries that have adopted Generally Accepted Accounting Principles in the United States applied Leases (ASU No. 2016-02 (Topic 842)) in the fiscal year ended March 31, 2023. In principle, lessees accordingly record all leases as assets and liabilities on their balance sheets. The cumulative effect of applying this standard, permitted as a transitional measure, is recognized at the adoption date.

As a result of applying ASU No. 2016-02 (Topic 842), right-of-use assets under non-current assets increased ¥2,806 million ($21,016 thousand), lease obligations under current liabilities were up ¥788 million ($5,902 thousand), and lease obligations under non-current liabilities rose ¥2,074 million ($15,537 thousand) in the consolidated balance sheet at the end of the current fiscal year. The impact of this application on the profit or loss in the current fiscal year is immaterial.

(Accounting Standards Issued but Not Yet Applied)

・Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, issued on October 28, 2022)
・Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, issued on October 28, 2022)
・Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, issued on October 28, 2022)

(1) Overview

In February 2018, ASBJ Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant ASBJ guidances were issued, and the practical guidelines on tax effect accounting issued by the Japanese Institute of Certified Public Accountants (JICPA) were transferred to the Accounting Standards Board of Japan (ASBJ). However, over the course of the related deliberations, it was decided to reconsider the following two issues after ASBJ Statement No. 28 and relevant ASBJ guidances were issued, and the issues were subsequently deliberated and issued.

・Classification for recording tax expense (taxation relating to other comprehensive income)
・Tax effects of sales of shares of subsidiaries, etc. (shares of subsidiaries and shares of associates) when the group taxation system is adopted

(2) Date of application

These standards and guidance will be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of application

The impact of applying the "Accounting Standard for Current Income Taxes" and other accounting standard and guidance on the consolidated financial statements is currently being evaluated.

・Accounting Standard for Financial Instruments - Credit Losses (ASU 2016-13 (Topic 326))

(1) Overview

Due to the application of this accounting standard, the classification and measurement methods used for financial instruments have been revised, and the use of the expected credit loss model when recognizing the impairment of financial assets is required.

(2) Date of application

This standard will be applied from the beginning of the fiscal year ending March 31, 2024.

(3) Impact of application

The impact of applying the accounting standard on the consolidated financial statements is minuscule.

(Changes in Presentation)

(Consolidated Balance Sheet)

"Lease obligations" which were included in "Other" under "Current liabilities" and "Non-current liabilities" at the end of the previous fiscal year, have been presented separately from the current fiscal year, since the significance of the amounts has increased. To reflect this change in presentation, the amounts in the consolidated financial statements at the end of the previous fiscal year have been reclassified.

As a result, ¥9,126 million presented in "Other" under "Current liabilities" in the consolidated balance sheet at the end of the previous fiscal year has been reclassified into ¥12 million of "Lease obligations" and ¥9,113 million of "Other", and ¥903 million presented in "Other" under "Non-current liabilities" has been reclassified into ¥61 million of "Lease obligations" and ¥842 million of "Other".

(Consolidated Statement of Income)

"Loss on valuation of securities", which was included in "Other" under "Non-operating expenses" for the previous fiscal year, has been presented separately from the current fiscal year, since the significance of the amount has increased. To reflect this change in presentation, the amounts in the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥240 million presented in "Other" under "Non-operating expenses" in the consolidated statement of income for the previous fiscal year has been reclassified into ¥28 million of "Loss on valuation of securities" and ¥211 million of "Other".

(Additional Information)

(Stock remuneration plan for directors)

The Company has introduced a stock remuneration plan for directors of the Company (excluding outside directors) and executive officers who have entered into an engagement agreement with the Company (excluding overseas residents, hereinafter "Directors, et al."), in order to raise the incentive to contribute to improving the Company's medium- to long-term business performance and to increasing enterprise value.

(1) Overview

The Company entrusts money equivalent to remuneration of Directors, et al. The Company's shares will be acquired using the entrusted money and the Company's shares and the cash equivalent of the conversion value of the Company's shares will be delivered and paid to Directors, et al. based on his or her position and the degree of accomplishment of business performance. Directors, et al. are eligible to receive the Company's shares and the cash equivalent of the conversion value of the Company's shares, in principle after retiring from the position of Director, et al. In order to maintain neutrality toward management of the Company, the voting rights of the Company's shares in the trust may not be exercised during the trust period.

(2) The Company's shares in the trust

The Company's shares in the trust were recorded as treasury shares in net assets on the consolidated balance sheet with the carrying value in the trust (excluding ancillary expenses). The carrying value and number of treasury shares in the trust were ¥381 million and 234,000 shares as of March 31, 2022 and ¥374 million ($2,805 thousand) and 230,100 shares as of March 31, 2023, respectively.

(Consolidated Balance Sheet)

*1 The amounts of receivables from contracts with customers within notes and accounts receivable - trade, and contract assets are as follows.

	As of March 31, 2022	As of March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Notes receivable-trade	3,622	3,681	27,568
Accounts receivable-trade	30,793	33,722	252,525

*2 Investments in associates are as follows:

	As of March 31, 2022	As of March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Investment securities (stocks)	191	117	879

(Consolidated Statement of Income)

*1 Revenue from contracts with customers

Revenue from contracts with customers and revenue from other sources are not presented separately in net sales. The amount of revenue from contracts with customers is presented in "Notes to Consolidated Financial Statements (Revenue Recognition) 1. Information on disaggregation of revenue from contracts with customers."

*2 The ending inventory balance is the amount after write-downs of book value due to declines in profitability, and the loss on valuation of inventories included in cost of sales is as follows:

Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
370	2,299	17,219

*3 The main components of selling, general and administrative expenses are as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Salaries and wages	11,201	13,117	98,228
Provision for bonuses	913	755	5,660
Retirement benefit expenses	691	475	3,558
Provision for directors' retirement benefits	40	57	428
Provision for directors' stock payment	86	52	394
Research and development expenses	10,543	11,460	85,822
Provision of allowance for doubtful accounts	(278)	6	45

*4 Research and development expenses included in general and administrative expenses are as follows:

Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
10,543	11,460	85,822

*5 The breakdown of gain on sales of non-current assets is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Buildings and structures	756	182	1,368
Machinery, equipment and vehicles	12	30	227
Land	369	-	-
Other	14	2	21
Total	1,153	216	1,617

*6 The breakdown of loss on retirement of non-current assets is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Buildings and structures	24	16	121
Machinery, equipment and vehicles	42	25	191
Construction in progress	6	6	49
Other	25	32	243
Total	98	81	606

*7 The breakdown of loss on sales of non-current assets is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Machinery, equipment and vehicles	8	0	0
Land	-	7	58
Other	3	1	8
Total	11	9	68

*8 Impairment loss

Fiscal year ended March 31, 2022

Location	Classification by use	Type of assets	(Millions of yen)
Kitchener, Canada	Idle assets	Buildings and structures and Machinery, equipment and vehicles	54
Shenzhen, China	Idle assets	Machinery, equipment and vehicles	37
Chiyoda-ku, Tokyo Takasago, Hyogo	Business assets	Other (Property, plant and equipment)	58
Takasago, Hyogo Himeji, Hyogo	Idle assets	Buildings and structures and Machinery, equipment and vehicles	14

In principle, the Group' s business assets are grouped according to division or to whom assets are lent, assets of consolidated subsidiaries are grouped by company, and the Group' s idle assets and assets planned to be sold are grouped on an individual asset basis.

The book value of a group of idle assets not used for business operations and not expected to be used in the future are reduced to zero, and the write-downs are recorded as impairment loss in extraordinary losses.

The book values of business assets are written down to zero or the net selling values due to a decrease in the recoverability of the assets, and the write-downs are recorded as impairment loss in extraordinary losses.

* Breakdown of impairment loss by location is as follows:

・Impairment loss of ¥54 million recognized for Kitchener, Canada includes ¥47 million for machinery, equipment and vehicles and ¥6 million for buildings and structures.

・Impairment loss of ¥37 million recognized for Shenzhen, China includes ¥37 million for machinery, equipment and vehicles.

・Impairment loss of ¥58 million recognized for Chiyoda-ku, Tokyo, etc. includes ¥58 million for other (property, plant and equipment).

・Impairment loss of ¥14 million recognized for Takasago, Hyogo, etc. includes ¥14 million for machinery, equipment and vehicles and ¥0 million for buildings and structures.

Fiscal year ended March 31, 2023

Location	Classification by use	Type of assets	(Millions of yen)	(Thousands of U.S. dollars)
Shenzhen, China	Idle assets	Machinery, equipment and vehicles, Other (Property, plant and equipment) and Construction in progress	34	260
Takasago, Hyogo Himeji, Hyogo	Idle assets	Buildings and structures, Machinery, equipment and vehicles, Other (Property, plant and equipment) and Other (Intangible assets)	508	3,808
Chiyoda-ku, Tokyo Takasago, Hyogo	Business assets	Other (Property, plant and equipment) and Other (Intangible assets)	10	76
Suzhou, China	Business assets	Machinery, equipment and vehicles, Other (Property, plant and equipment) and Other (Intangible assets)	28	211
Blonie, Poland	Idle assets	Machinery, equipment and vehicles	7	52

In principle, the Group's business assets are grouped according to division or to whom assets are lent, assets of consolidated subsidiaries are grouped by company, and the Group's idle assets and assets planned to be sold are grouped on an individual asset basis.

The book value of a group of idle assets not used for business operations and not expected to be used in the future are reduced to zero, and the write-downs are recorded as impairment loss in extraordinary losses.

The book values of business assets are written down to zero or the net selling values due to a decrease in the recoverability of the assets, and the write-downs are recorded as impairment loss in extraordinary losses.

* Breakdown of impairment loss by location is as follows:

- Impairment loss of ¥34 million ($260 thousand) recognized for Shenzhen, China, includes ¥22 million ($167 thousand) for construction in progress, ¥8 million ($67 thousand) for other (property, plant and equipment) and ¥3 million ($26 thousand) for machinery, equipment and vehicles.
- Impairment loss of ¥508 million ($3,808 thousand) recognized for Takasago, Hyogo, etc. includes ¥445 million ($3,338 thousand) for machinery, equipment and vehicles, ¥33 million ($247 thousand) for buildings and structures, ¥23 million ($177 thousand) for other (property, plant and equipment) and ¥6 million ($45 thousand) for other (intangible assets).
- Impairment loss of ¥10 million ($76 thousand) recognized for Chiyoda-ku, Tokyo, etc. includes ¥8 million ($66 thousand) for other (property, plant and equipment) and ¥1 million ($10 thousand) for other (intangible assets).
- Impairment loss of ¥28 million ($211 thousand) recognized for Suzhou, China, includes ¥21 million ($164 thousand) for machinery, equipment and vehicles, ¥5 million ($44 thousand) for other (property, plant and equipment) and ¥0 million ($2 thousand) for other (intangible assets).
- Impairment loss of ¥7 million ($52 thousand) recognized for Blonie, Poland, includes ¥7 million ($52 thousand) for machinery, equipment and vehicles.

*9 Gain on sale of businesses

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

The gain on sale of businesses is due to the transfer of the Group’s insurance agency business.

*10 Business structure improvement expenses

Fiscal year ended March 31, 2022

Business structure improvement expenses were incurred in implementing the business structure improvement to maintain and improve the profitability of the Company’s businesses. The major components in the breakdown of these expenses were ¥118 million of expenses for personnel downsizing due to the restructuring of USHIO EUROPE B.V., Ushio Germany GmbH and USHIO FRANCE S.A.R.L., loss due to the office relocation of USHIO EUROPE B.V. and USHIO FRANCE S.A.R.L. was ¥43 million.

Fiscal year ended March 31, 2023

Business structure improvement expenses were incurred in implementing the business structure improvement to maintain and improve the profitability of the Company’s businesses. The major component in the breakdown of these expenses was ¥348 million ($2,607 thousand) of expenses for personnel downsizing due to the restructuring of USHIO GERMANY GmbH.

*11 Loss on temporary closure

Fiscal year ended March 31, 2022

In response to requests from national governments regarding COVID-19, the Group has temporarily closed part of the imaging equipment business after taking regulations in each country and prevention of the spread of infection into consideration.

As a result, fixed expenses (labor costs, depreciation, etc.) incurred during the period of suspension or closure are recorded as extraordinary losses due to closure of business, etc.

Fiscal year ended March 31, 2023

Not applicable.

(Consolidated Statement of Comprehensive Income)

Reclassification adjustments and income tax effect allocated to each component of other comprehensive income are as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Valuation difference on available-for-sale securities:			
Amount arising during the year	4,522	(1,247)	(9,342)
Reclassification adjustments	(16)	(873)	(6,540)
Amount before income tax effect	4,505	(2,120)	(15,882)
Income tax effect	(1,385)	591	4,425
Valuation difference on available-for-sale securities	3,119	(1,529)	(11,456)
Deferred gains or losses on hedges:			
Amount arising during the year	1	–	–
Reclassification adjustments	3	–	–
Amount before income tax effect	5	–	–
Income tax effect	(1)	–	–
Deferred gains or losses on hedges	3	–	–
Foreign currency translation adjustment:			
Amount arising during the year	10,553	6,464	48,411
Reclassification adjustments	–	93	701
Amount before income tax effect	10,553	6,558	49,112
Income tax effect	–	–	–
Foreign currency translation adjustment	10,553	6,558	49,112
Remeasurements of defined benefit plans:			
Amount arising during the year	196	1,129	8,456
Reclassification adjustments	1,027	481	3,608
Amount before income tax effect	1,223	1,611	12,065
Income tax effect	(388)	(492)	(3,689)
Remeasurements of defined benefit plans	835	1,118	8,375
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	56	41	309
Share of other comprehensive income of entities accounted for using equity method	56	41	309
Total other comprehensive income	14,569	6,188	46,341

(Consolidated Statement of Changes in Net Assets)

Fiscal year ended March 31, 2022

1. Type and total number of shares issued, and type and number of treasury shares

	Number of shares as of April 1, 2021	Increase	Decrease	Number of shares as of March 31, 2022
Shares issued:				
Common shares	127,000,000	–	–	127,000,000
Total	127,000,000	–	–	127,000,000
Treasury shares				
Common shares (Note)	6,424,307	2,726	17,200	6,409,833
Total	6,424,307	2,726	17,200	6,409,833

(Notes) 1. Treasury shares include the Company's shares held by the trust for the stock remuneration plan for directors (251,200 shares and 234,000 shares at the beginning and end of the current fiscal year, respectively).

2. The increase of 2,726 shares of treasury shares is due to purchase of shares of less than standard unit.

3. The decrease of 17,200 shares of treasury shares is due to issuance from the trust to eligible persons according to the stock remuneration plan for directors.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2021	Common shares	3,141	26	March 31, 2021	June 30, 2021

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 29, 2021 include ¥6 million of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2022 and the effective date in the fiscal year ended March 31, 2023

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2022	Common shares	6,041	Retained earnings	50	March 31, 2022	June 30, 2022

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 29, 2022 include ¥11 million of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

Fiscal year ended March 31, 2023

1. Type and total number of shares issued, and type and number of treasury shares

	Number of shares as of April 1, 2022	Increase	Decrease	Number of shares as of March 31, 2023
Shares issued:				
Common shares (Note 1.)	127,000,000	-	3,500,000	123,500,000
Total	127,000,000	-	3,500,000	123,500,000
Treasury shares				
Common shares (Note 2.3.4.)	6,409,833	2,917,819	3,503,900	5,823,752
Total	6,409,833	2,917,819	3,503,900	5,823,752

(Notes) 1. The decrease of 3,500,000 shares in shares issued is due to retirement of treasury shares.

2. Treasury shares include the Company's shares held by the trust for the stock remuneration plan for directors (234,000 shares and 230,100 shares at the beginning and end of the current fiscal year, respectively).

3. The increase of 2,917,819 shares of treasury shares is made up of an increase of 2,915,400 shares through market purchase and an increase of 2,419 shares due to purchase of shares of less than standard unit.

4. The decrease of 3,503,900 shares of treasury shares is made up of a decrease of 3,500,000 shares resulting from cancellation of treasury shares and a decrease of 3,900 shares due to issuance from the trust to eligible persons according to the stock remuneration plan for directors.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2022	Common shares	6,041	45,238	50	0.37	March 31, 2022	June 30, 2022

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 29, 2022 include ¥11 million ($87 thousand) of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2023 and the effective date in the fiscal year ending March 31, 2024

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Source of dividends	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 29, 2023	Common shares	5,895	44,146	Retained earnings	50	0.37	March 31, 2023	June 30, 2023

(Note) Total dividends based on resolution at the annual general meeting of the shareholders on June 29, 2023 include ¥11 million ($86 thousand) of dividends on the Company's shares held by the trust for the stock remuneration plan for directors.

(Consolidated Statement of Cash Flows)

* Reconciliation between cash and cash equivalents at end of period and the amount on the consolidated balance sheet

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Cash and deposits	88,687	64,219	480,899
Time deposits with a maturity of more than three months	(7,067)	(6,703)	(50,196)
Cash and cash equivalents	81,619	57,516	430,702

(Lease Transactions)

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

1) Leased assets

・Property, plant and equipment

These leases are mainly production facilities (machinery, equipment and vehicles) and inspection instruments (other) of the Company.

・Intangible assets

These leases are mainly software (other) of the Company's consolidated subsidiaries.

2) Depreciation of leased assets

Leased assets are depreciated by the straight-line method over the lease period that is deemed as the useful life, assuming no residual value.

2. Operating lease transactions

Future minimum lease payments under non-cancelable operating leases

	As of March 31, 2022	As of March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Due within one year	1,245	633	4,744
Due after one year	1,939	1,389	10,406
Total	3,184	2,023	15,151

(Note) Foreign subsidiaries that have adopted Generally Accepted Accounting Principles in the United States applied Leases (ASC No. 2016-02 (Topic 842)) from the fiscal year ended March 31, 2023. Amounts as of March 31, 2023 do not include future minimum lease payments related to these foreign subsidiaries.

(Financial Instruments)

1. Overview of financial instruments

(1) Basic policy on managing financial instruments

The Group invests temporary surplus funds and funds reserved for future business expansion mainly in highly safe financial assets, according to the Group's cash management plan. The method of fund raising is determined based upon the use of funds and financing environment. The Group utilizes derivative transactions only to hedge foreign exchange rate fluctuation risk and interest rate fluctuation risk, and does not use them for trading or speculative purposes.

(2) The nature and risk of financial instruments

Notes and accounts receivable - trade, which are operating receivables, are exposed to customer credit risk. Operating receivables denominated in foreign currencies are also exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Securities and investment securities consist mainly of equity securities issued by companies with whom the Group has business alliances and equity or debt securities held for the purpose of short-term investment of temporary surplus funds and reserved funds. These investments are exposed to market risk. A part of securities and investment securities are denominated in foreign currencies, and they are exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Notes and accounts payable - trade, which are operating payables, are mostly due within one year. Some of them are denominated in foreign currencies and exposed to foreign exchange risk; however, such risk is hedged by using forward foreign exchange contracts.

Loans payable, which are made to obtain working capital, are due within three years after the end of the current fiscal year.

Lease obligations include leases to which Leases (ASU No. 2016-02 (Topic 842)) has been applied at some overseas consolidated subsidiaries.

As for derivative transactions, forward foreign exchange contracts are entered into for the purpose of hedging foreign exchange risk deriving from operating receivables and payables denominated in foreign currencies, loans payable denominated in foreign currencies and securities denominated in foreign currencies. For the hedging instruments and hedged items under the hedge accounting, hedging policy, and the method of assessing the hedge effectiveness, please refer to "Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements, 4. Accounting policies, (6) Significant hedge accounting" prescribed above.

(3) Risk management structure regarding financial instruments

1) Management of credit risk (customers' default risk, etc.)

For operating receivables, the Company reviews the creditworthiness of customers by monitoring their financial status on a daily and continuous basis in accordance with the internal regulations for credit exposure management. At the same time, it endeavors to early identify and mitigate any concern on the collection of receivables due to deteriorated financial conditions by managing due dates and balances for each customer and appropriately reviewing the credit lines. The Company's consolidated subsidiaries also manage operating receivables in the same manner in accordance with the Company's internal rules for credit exposure management. The credit risk associated with debt securities is immaterial since the Group invests mainly in debt securities with high credit ratings.

Derivative transactions are entered into only with highly rated financial institutions in order to mitigate counterparty risk.

As of the end of the current fiscal year, the maximum credit risk amount is presented as the consolidated balance sheet amounts of financial assets that are exposed to credit risk.

2) Management of market risk (fluctuation risk of foreign currency exchange and interest rates, etc.)

The Company utilizes forward foreign exchange contracts for foreign exchange risk identified by currency and by month in relation to operating receivables and payables denominated in foreign currencies, loans payable denominated in foreign currencies and securities denominated in foreign currencies in accordance with the internal rules for market risk management. Some of the Company's consolidated subsidiaries also manage market risk in the same manner in accordance with the Company's internal rules for market risk management.

For securities and investment securities, market prices and the financial position of the issuers are periodically monitored and reported to directors in charge in accordance with the internal rules for market risk management. In addition, the holding status of shares issued by companies with business relationships is continuously reviewed in consideration of the relationships with those companies.

Derivative transactions are reported to directors in charge on a daily basis as well as to the Board of Directors in accordance with the internal rules for derivative transactions that define the authorization policy and limits of transactions. The Company's consolidated subsidiaries also manage derivative transactions in the same manner in accordance with the Company's internal rules.

3) Management of liquidity risk associated with fund raising (risk of inability to pay on due date)

Liquidity risk of the Company and its consolidated subsidiaries is managed by the Finance and Treasury Departments, preparing and updating the cash management plan based upon reports from each department as well as by maintaining certain level of liquidity.

(4) Supplementary explanation concerning fair values of financial instruments, etc.

The notional amounts of derivative transactions in Note "Derivative Transactions" do not, in themselves, indicate the market risk associated with the derivative transactions.

2. Fair value of financial instruments

The table below presents the amounts of financial instruments recorded in the consolidated balance sheet and their fair values, as well as their differences.

As of March 31, 2022

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Notes and accounts receivable - trade, and contract assets	35,292		
Allowance for doubtful accounts (*3)	(2,445)		
	32,847	32,847	-
(2) Securities and investment securities(*2)			
Trading securities	598	598	-
Available-for-sale securities	61,469	61,469	-
(3) Investments in money held in trust	1,712	1,712	-
Assets, total	96,626	96,626	-
(1) Notes and accounts payable-trade	21,164	21,164	-
(2) Short-term loans payable	2,185	2,185	-
(3) Current portion of long-term loans payable	16,402	16,433	31
(4) Long-term loans payable	-	-	-
Liabilities, total	39,752	39,783	31
Derivative transactions (*4)			
for which hedge accounting is not applied	(72)	(72)	-

As of March 31, 2023

	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Notes and accounts receivable - trade, and contract assets	38,491		
Allowance for doubtful accounts (*3)	(1,805)		
	36,686	36,686	-
(2) Securities and investment securities (*2)			
Available-for-sale securities	59,336	59,336	-
Assets, total	96,022	96,022	-
(1) Notes and accounts payable-trade	26,205	26,205	-
(2) Short-term loans payable	3,921	3,921	-
(3) Long-term loans payable	1,410	1,407	(2)
(4) Lease obligations (*5)	2,985	2,913	(71)
Liabilities, total	34,522	34,448	(73)
Derivative transactions (*4)			
for which hedge accounting is not applied	22	22	-

As of March 31, 2023

	Consolidated balance sheet amount (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
(1) Notes and accounts receivable - trade, and contract assets	288,237		
Allowance for doubtful accounts (*3)	(13,517)		
	274,719	274,719	-
(2) Securities and investment securities (*2)			
Available-for-sale securities	444,336	444,336	-
Assets, total	719,056	719,056	-
(1) Notes and accounts payable-trade	196,239	196,239	-
(2) Short-term loans payable	29,362	29,362	-
(3) Long-term loans payable	10,558	10,541	(16)
(4) Lease obligations (*5)	22,355	21,820	(534)
Liabilities, total	258,516	257,964	(551)
Derivative transactions (*4)			
for which hedge accounting is not applied	168	168	-

(*1): "Cash and deposits" are omitted because they are cash and because fair values of deposits approximate their book values since deposits are settled in a short period of time.

(*2): Stocks, etc. without market prices and investments in business partnerships with limited liability are not included in "(2) Securities and investment securities." The recorded amounts of those financial instruments on the consolidated balance sheet are as follows.

Classification	As of March 31, 2022	As of March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Unlisted shares	1,454	1,385	10,376
Investments in business partnerships with limited liability	561	353	2,644

(*3): The deducted amount includes general and specific allowance for doubtful accounts relating to notes and accounts receivable - trade, and contract assets.

(*4): Assets and liabilities arising from derivative transactions are stated in the net amount. The figures in brackets indicate net liabilities.

(*5): Includes current portion of lease obligations.

(Notes) 1. Redemption schedule for monetary receivables and securities with maturity dates after the consolidated balance sheet date

As of March 31, 2022

	Due within one year (Millions of yen)	Due after one year and up to five years (Millions of yen)	Due after five years and up to ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	88,687	-	-	-
Notes and accounts receivable-trade, and contract assets	35,202	89	-	-
Securities and investment securities				
Available-for-sale securities with maturities				
(1) National and local government bonds	-	-	-	-
(2) Corporate bonds	1,539	7,941	2,793	1,958
(3) Other	1,468	367	367	-
Total	126,897	8,398	3,160	1,958

As of March 31, 2023

	Due within one year (Millions of yen)	Due after one year and up to five years (Millions of yen)	Due after five years and up to ten years (Millions of yen)	Due after ten years (Millions of yen)
Cash and deposits	64,219	-	-	-
Notes and accounts receivable-trade,and contract assets	38,431	59	-	-
Securities and investment securities				
Available-for-sale securities with maturities				
(1) National and local government bonds	-	801	-	-
(2) Corporate bonds	1,200	10,373	2,270	2,136
(3) Other	-	801	-	-
Total	103,851	12,035	2,270	2,136

As of March 31, 2023

	Due within one year (Thousands of U.S. dollars)	Due after one year and up to five years (Thousands of U.S. dollars)	Due after five years and up to ten years (Thousands of U.S. dollars)	Due after ten years (Thousands of U.S. dollars)
Cash and deposits	480,899	-	-	-
Notes and accounts receivable-trade, and contract assets	287,792	445	-	-
Securities and investment securities				
Available-for-sale securities with maturities				
(1) National and local government bonds	-	6,000	-	-
(2) Corporate bonds	8,987	77,683	17,000	16,000
(3) Other	-	6,000	-	-
Total	777,678	90,128	17,000	16,000

2. Redemption schedule for bonds, long-term loans payable, lease obligations and other interest bearing debts after the consolidated balance sheet date

As of March 31, 2022

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)
Short-term loans payable	2,185	-	-	-	-
Long-term loans payable	16,402	-	-	-	-
Total	18,587	-	-	-	-

As of March 31, 2023

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)	Due after five years (Millions of yen)
Short-term loans payable	3,921	-	-	-	-	-
Long-term loans payable	-	-	1,410	-	-	-
Lease obligations	858	695	530	359	238	482
Total	4,779	695	1,940	359	238	482

As of March 31, 2023

	Due within one year (Thousands of U.S. dollars)	Due after one year and up to two years (Thousands of U.S. dollars)	Due after two years and up to three years (Thousands of U.S. dollars)	Due after three years and up to four years (Thousands of U.S. dollars)	Due after four years and up to five years (Thousands of U.S. dollars)	Due after five years (Thousands of U.S. dollars)
Short-term loans payable	29,362	-	-	-	-	-
Long-term loans payable	-	-	10,558	-	-	-
Lease obligations	6,427	5,204	3,971	2,692	1,785	3,613
Total	35,790	5,204	14,529	2,692	1,785	3,613

3. Matters related to the breakdown of fair values of financial instruments by levels and other matters

Fair values of financial instruments are categorized into the following three levels in accordance with observability and significance of inputs used to measure fair value.

Level 1 fair value:

Fair value measured by quoted prices for assets and liabilities subject to the measurement of fair value formed in active markets that are observable inputs related to fair value measurement

Level 2 fair value:

Fair value measured by using observable inputs related to fair value measurement other than inputs related to Level 1 fair value measurement

Level 3 fair value:

Fair value measured by using unobservable inputs related to fair value measurement

If multiple inputs are used that significantly affect the measurement of fair value, the fair value is categorized into the lowest priority level in fair value measurement among levels of those inputs.

(1) Financial instruments recorded on the consolidated balance sheet at fair value

As of March 31, 2022

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Trading securities	598	–	–	598
Available-for-sale securities				
Stocks	41,333	–	–	41,333
Bonds-Corporate bonds	–	16,704	–	16,704
Bonds-Other	–	891	1,219	2,111
Derivative transactions				
Currency-related transactions	–	2	–	2
Assets, total	41,932	17,598	1,219	60,750
Derivative transactions				
Currency-related transactions	–	(74)	–	(74)
Liabilities, total	–	(74)	–	(74)

As of March 31, 2023

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	39,811	–	–	39,811
Bonds-National and local government bonds	766	–	–	766
Bonds-Corporate bonds	–	16,667	–	16,667
Bonds-Other	–	690	–	690
Other	1,400	–	–	1,400
Derivative transactions				
Currency-related transactions	–	23	–	23
Assets, total	41,978	17,381	–	59,359
Derivative transactions				
Currency-related transactions	–	(0)	–	(0)
Liabilities, total	–	(0)	–	(0)

As of March 31, 2023

Classification	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	298,121	-	-	298,121
Bonds-National and local government bonds	5,739	-	-	5,739
Bonds-Corporate bonds	-	124,813	-	124,813
Bonds-Other	-	5,171	-	5,171
Other	10,490	-	-	10,490
Derivative transactions				
Currency-related transactions	-	173	-	173
Assets, total	314,351	130,158	-	444,510
Derivative transactions				
Currency-related transactions	-	(4)	-	(4)
Liabilities, total	-	(4)	-	(4)

(2) Financial instruments other than financial instruments recorded on the consolidated balance sheet at fair value

As of March 31, 2022

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	-	32,847	-	32,847
Assets, total	-	32,847	-	32,847
Notes and accounts payable-trade	-	21,164	-	21,164
Short-term loans payable	-	2,185	-	2,185
Current portion of long-term loans payable	-	16,433	-	16,433
Liabilities, total	-	39,783	-	39,783

As of March 31, 2023

Classification	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	-	36,686	-	36,686
Assets, total	-	36,686	-	36,686
Notes and accounts payable-trade	-	26,205	-	26,205
Short-term loans payable	-	3,921	-	3,921
Long-term loans payable	-	1,407	-	1,407
Lease obligations	-	2,913	-	2,913
Liabilities, total	-	34,448	-	34,448

As of March 31, 2023

Classification	Fair value (Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	-	274,719	-	274,719
Assets, total	-	274,719	-	274,719
Notes and accounts payable-trade	-	196,239	-	196,239
Short-term loans payable	-	29,362	-	29,362
Long-term loans payable	-	10,541	-	10,541
Lease obligations	-	21,820	-	21,820
Liabilities, total	-	257,964	-	257,964

(Notes) 1. Valuation techniques used in measurement of fair value and explanation of inputs pertaining to the measurement of fair value

(1) Securities and investment securities

Listed shares, national and local government bonds, corporate bonds and other bonds are valued using quoted prices. Since listed shares and national and local government bonds are transacted in active markets, their fair value is categorized as Level 1 fair value. On the other hand, corporate bonds and other bonds held by the Company and its consolidated subsidiaries are categorized as Level 2 fair value since the frequency of transactions in the market is low and their quoted prices cannot be recognized as being in active markets. Note that some other bonds are measured at prices using significant unobservable inputs and categorized as Level 3 fair value.

(2) Derivative transactions

The fair value is measured based on the prices provided by counterparty financial institutions and categorized as Level 2 fair value.

(3) Notes and accounts receivable - trade, and contract assets

The fair value of these approximates their book value because these are settled in a short period of time. Thus, the fair value is presented as their book value, measured based on credit risk and the historical rate of credit loss, and categorized as Level 2 fair value.

(4) Notes and accounts payable-trade, and short-term loans payable

The fair value of these approximates their book value because these are settled in a short period of time. Thus, the fair value is presented as their book value, and categorized as Level 2 fair value.

(5) Long-term loans payable and lease obligations

The fair value of these is measured using the discounted present value method based on the total amount of principal and interest and at an interest rate that takes account of the term to maturity and credit risk of such liabilities, and is categorized as Level 2 fair value.

2. Matters concerning Level 3 fair value for financial instruments recorded at fair value on the consolidated balance sheet

(1) Reconciliation between the balance at beginning of period and end of period

Fiscal year ended March 31, 2022

(Millions of yen)

	Securities and investment securities Available-for-sale securities Bonds-Other	Total
Balance at beginning of period	1,131	1,131
Profit (loss) or other comprehensive income		
Recorded in profit (loss)	–	–
Recorded in other comprehensive income (*1)	88	88
Purchase, sales, issuance and settlement	–	–
Transfer to Level 3	–	–
Transfer from Level 3	–	–
Balance at end of period	1,219	1,219

(*1) Included in "Valuation difference on available-for-sale securities" in "Other comprehensive income" in the consolidated statement of comprehensive income.

Fiscal year ended March 31, 2023

(Millions of yen)

	Securities and investment securities Available-for-sale securities Bonds-Other	Total
Balance at beginning of period	1,219	1,219
Profit (loss) or other comprehensive income		
Recorded in profit (loss)	–	–
Recorded in other comprehensive income (*1)	4	4
Purchase, sales, issuance and settlement	(1,224)	(1,224)
Transfer to Level 3	–	–
Transfer from Level 3	–	–
Balance at end of period	–	–

Fiscal year ended March 31, 2023

(Thousands of U.S. dollars)

	Securities and investment securities Available-for-sale securities Bonds-Other	Total
Balance at beginning of period	9,132	9,132
Profit (loss) or other comprehensive income		
Recorded in profit (loss)	–	–
Recorded in other comprehensive income (*1)	37	37
Purchase, sales, issuance and settlement	(9,169)	(9,169)
Transfer to Level 3	–	–
Transfer from Level 3	–	–
Balance at end of period	–	–

(*1) Included in "Valuation difference on available-for-sale securities" in "Other comprehensive income" in the consolidated statement of comprehensive income.

(2) Description of method of measuring fair value

The Company and its consolidated subsidiaries evaluate fair value using quoted prices obtained from third parties. The Finance and Treasury Departments confirm the valuation techniques and inputs that are used, compare the movements in fair value of similar observable inputs and verify the appropriateness of the price.

(Securities and Investment Securities)

1. Trading securities

	As of March 31, 2022	As of March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Valuation difference included in profit or loss	(72)	–	–

2. Available-for-sale securities

As of March 31, 2022

	Type	Carrying value (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying value exceeds their acquisition cost	(1) Shares	41,008	9,258	31,749
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	2,250	2,228	21
	3) Other	612	612	0
	(3) Other	1,319	856	462
	Subtotal	45,190	12,955	32,235
Securities whose carrying value does not exceed their acquisition cost	(1) Shares	325	407	(82)
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	14,454	15,409	(955)
	3) Other	1,498	1,591	(92)
	(3) Other	–	–	–
	Subtotal	16,278	17,408	(1,130)
Total		61,469	30,364	31,104

(Note) Shares, etc. without market prices (carrying value on the consolidated balance sheet: ¥1,454 million) and investments in business partnerships with limited liability (carrying value on the consolidated balance sheet: ¥561 million) are not included in the above table of "Available-for-sale securities."

As of March 31, 2023

	Type	Carrying value (Millions of yen)	Acquisition cost (Millions of yen)	Difference (Millions of yen)
Securities whose carrying value exceeds their acquisition cost	(1) Shares	39,499	8,681	30,818
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	1,161	1,141	20
	3) Other	–	–	–
	(3) Other	1,400	934	466
	Subtotal	42,062	10,757	31,304
Securities whose carrying value does not exceed their acquisition cost	(1) Shares	311	416	(105)
	(2) Bonds:			
	1) National and local government bonds	766	791	(25)
	2) Corporate bonds	15,505	17,248	(1,742)
	3) Other	690	801	(110)
	(3) Other	–	–	–
	Subtotal	17,274	19,258	(1,983)
Total		59,336	30,015	29,320

As of March 31, 2023

	Type	Carrying value (Thousands of U.S. dollars)	Acquisition cost (Thousands of U.S. dollars)	Difference (Thousands of U.S. dollars)
Securities whose carrying value exceeds their acquisition cost	(1) Shares	295,789	65,008	230,780
	(2) Bonds:			
	1) National and local government bonds	–	–	–
	2) Corporate bonds	8,699	8,549	150
	3) Other	–	–	–
	(3) Other	10,490	7,000	3,490
	Subtotal	314,980	80,558	234,421
Securities whose carrying value does not exceed their acquisition cost	(1) Shares	2,331	3,119	(787)
	(2) Bonds:			
	1) National and local government bonds	5,739	5,927	(187)
	2) Corporate bonds	116,114	129,165	(13,050)
	3) Other	5,171	6,000	(828)
	(3) Other	–	–	–
	Subtotal	129,356	144,211	(14,854)
Total		444,336	224,769	219,566

(Note) Shares, etc. without market prices (carrying value on the consolidated balance sheet: ¥1,385 million ($10,376 thousand)) and investments in business partnerships with limited liability (carrying value on the consolidated balance sheet: ¥353 million ($2,644 thousand)) are not included in the above table of "Available-for-sale securities."

3. Available-for-sale securities sold

Fiscal year ended March 31, 2022

Type	Sales proceeds (Millions of yen)	Aggregate gains on sales (Millions of yen)	Aggregate losses on sales (Millions of yen)
(1) Shares	30	10	-
(2) Bonds:			
1) National and local government bonds	-	-	-
2) Corporate bonds	1,085	7	15
(3) Other	189	-	-
Total	1,304	17	15

Fiscal year ended March 31, 2023

Type	Sales proceeds (Millions of yen)	Aggregate gains on sales (Millions of yen)	Aggregate losses on sales (Millions of yen)
(1) Shares	1,541	963	-
(2) Bonds:			
1) National and local government bonds	-	-	-
2) Corporate bonds	336	-	35
(3) Other	-	-	-
Total	1,877	963	35

Fiscal year ended March 31, 2023

Type	Sales proceeds (Thousands of U.S. dollars)	Aggregate gains on sales (Thousands of U.S. dollars)	Aggregate losses on sales (Thousands of U.S. dollars)
(1) Shares	11,540	7,216	-
(2) Bonds:			
1) National and local government bonds	-	-	-
2) Corporate bonds	2,520	-	268
(3) Other	-	-	-
Total	14,061	7,216	268

4. Impairment loss recognized on securities

Fiscal year ended March 31, 2022

For the fiscal year ended March 31, 2022, impairment loss of ¥1 million was recognized for securities for available-for-sale securities - bonds.

Fiscal year ended March 31, 2023

For the fiscal year ended March 31, 2023, impairment loss of ¥212 million ($¥1,589 thousand) was recognized for securities (¥196 million ($1,468 thousand) for available-for-sale securities - shares and ¥16 million ($120 thousand) for available-for-sale securities - bonds).

Impairment loss is recognized for all the securities whose fair value at the end of the fiscal year declines by 50% or more of their acquisition cost. It is also recognized when the fair value declines by approximately 30% to 50% of the acquisition cost at the amount deemed necessary considering the recoverability of the fair value of the security.

(Derivative Transactions)

1. Derivative transactions for which hedge accounting is not applied

Currency-related transactions:

As of March 31, 2022

Classification	Type of transaction	Notional amounts (Millions of yen)	Maturing after one year (Millions of yen)	Estimated fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)
Off-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	606	–	(4)	(4)
	Buy:				
	USD	132	–	2	2
	JPY	1,503	–	(69)	(69)
Total		2,242	–	(72)	(72)

As of March 31, 2023

Classification	Type of transaction	Notional amounts (Millions of yen)	Maturing after one year (Millions of yen)	Estimated fair value (Millions of yen)	Valuation gain (loss) (Millions of yen)
Off-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	258	–	12	12
	Buy:				
	USD	52	–	(0)	(0)
	JPY	675	–	11	11
Total		986	–	22	22

As of March 31, 2023

Classification	Type of transaction	Notional amounts (Thousands of U.S. dollars)	Maturing after one year (Thousands of U.S. dollars)	Estimated fair value (Thousands of U.S. dollars)	Valuation gain (loss) (Thousands of U.S. dollars)
Off-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	1,934	–	90	90
	Buy:				
	USD	393	–	(4)	(4)
	JPY	5,055	–	83	83
Total		7,383	–	168	168

2. Derivative transactions for which hedge accounting is applied

Interest-rate-related transactions:

As of March 31, 2022

Not applicable.

As of March 31, 2023

Not applicable.

(Retirement Benefit Plans)

1. Overview of retirement benefit plan adopted by the Company

To prepare for the payment of employees' retirement benefits, the Company and its consolidated subsidiaries adopted funded and unfunded defined benefit plans, and a defined contribution plan.

Under the defined benefit corporate pension plans, all of which are funded, the Company provides lump-sum or pension benefits based on salaries and length of service.

In addition, retirement benefit trusts are set up for said corporate pension plans of the Company.

Under the lump-sum retirement benefit plans, which are principally unfunded and partially funded as a result of the setup of retirement benefit trusts, the Company provides lump-sum benefits based on salaries and length of service.

Under the defined benefit corporate pension plans and the lump-sum retirement benefit plans for certain consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated by the simplified method.

2. Defined benefit plan

(1) Reconciliation between retirement benefit obligations at beginning of period and end of period

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Retirement benefit obligation at beginning of period	24,001	24,520	183,621
Current service costs	1,207	1,231	9,220
Interest costs	176	191	1,437
Actuarial gains and losses arising during period	(142)	(1,675)	(12,547)
Retirement benefits paid	(852)	(940)	(7,044)
Amount transferred due to change from simplified accounting method to principle method	97	–	–
Expenses associated with change from simplified accounting method to principle method	229	–	–
Other	(223)	–	–
Effect of exchange rate changes	27	32	245
Retirement benefit obligation at end of period	24,520	23,360	174,933

(2) Reconciliation between plan assets at beginning of period and end of period (excluding plans to which simplified method is applied stated in (3))

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Plan assets at beginning of period	25,756	26,283	196,824
Expected return on plan assets	365	366	2,744
Actuarial gains and losses arising during period	53	(546)	(4,090)
Contributions from employer	905	937	7,017
Retirement benefits paid	(787)	(689)	(5,160)
Effect of exchange rate changes	(9)	37	283
Plan assets at end of period	26,283	26,390	197,619

(3) Reconciliation between net defined benefit liabilities for plans to which simplified method is applied at beginning of period and end of period

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Net defined benefit liability at beginning of period	462	225	1,687
Retirement benefit expenses	33	19	145
Retirement benefits paid	(240)	(22)	(165)
Amounts transferred due to change from simplified accounting method to principle method	(97)	–	–
Other	55	(3)	(28)
Effect of exchange rate changes	11	2	20
Net defined benefit liability at end of period	225	221	1,659

(4) Reconciliation between retirement benefit obligation and plan assets at end of period, and defined benefit liability and defined benefit asset for retirement recognized on the consolidated balance sheet

	As of March 31, 2022	As of March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Retirement benefit obligation for funded plans	24,520	23,360	174,933
Plan assets	(26,283)	(26,390)	(197,619)
	(1,763)	(3,029)	(22,686)
Retirement benefit obligation for unfunded plans	225	221	1,659
Net balance of liability and asset recognized on the consolidated balance sheet	(1,537)	(2,807)	(21,026)
Net defined benefit liability	4,054	3,839	28,749
Net defined benefit asset	(5,592)	(6,647)	(49,776)
Net balance of liability and asset recognized on the consolidated balance sheet	(1,537)	(2,807)	(21,026)

(5) Retirement benefit expenses and their breakdown

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Current service costs	1,207	1,231	9,220
Interest costs	176	191	1,437
Expected return on plan assets	(365)	(366)	(2,744)
Amortization of actuarial gains and losses	1,044	529	3,965
Amortization of past service costs	(17)	(47)	(357)
Expenses associated with change from simplified accounting method to principle method	229	-	-
Other	(53)	(56)	(422)
Retirement benefit expenses applying simplified method	33	19	145
Retirement benefit expenses under defined benefit plans	2,254	1,501	11,244

(Note) In addition to the above, for the fiscal year ended March 31, 2022, ¥118 million in extra retirement payments and other was recorded as part of business structure improvement expenses under extraordinary losses.

In addition to the above, for the fiscal year ended March 31, 2023, ¥348 million ($2,607 thousand) in extra retirement payments and other was recorded as part of business structure improvement expenses under extraordinary losses.

(6) Remeasurements of defined benefit plans

The breakdown of the amount recognized in remeasurements of defined benefit plans (before tax effect) in the consolidated statement of comprehensive income is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Past service costs	17	47	357
Actuarial gains and losses	(1,240)	(1,658)	(12,422)
Total	(1,223)	(1,611)	(12,065)

(7) Accumulated remeasurements of defined benefit plans

The breakdown of the amount recognized in accumulated remeasurements of defined benefit plans (before tax effect) on the consolidated balance sheet is as follows:

	As of March 31, 2022	As of March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Unrecognized past service costs	(56)	(9)	(68)
Unrecognized actuarial gains and losses	866	(796)	(5,963)
Total	809	(805)	(6,031)

(8) Plan assets

1) Breakdown of plan assets

Percentage of each main category to total plan assets is as follows:

	As of March 31, 2022	As of March 31, 2023
Bonds	29%	28%
Securities	35%	35%
Cash and deposits	6%	6%
Alternative investments (Note 1)	25%	27%
Other	5%	4%
Total (Note 2)	100%	100%

(Notes) 1. Alternative investments mainly consist of investment to hedge funds.

2. Total plan assets include retirement benefit trusts of 7% and 6% that are set up for a corporate pension plan as of March 31, 2022 and 2023, respectively.

2) Determination of expected long-term rate of return on plan assets

In determining the expected long-term rate of return on plan assets, the Company takes into consideration the current and future plan asset allocation, and the current and expected long-term rate of return on various asset categories comprising plan assets.

(9) Actuarial assumptions

Major bases for actuarial calculation

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Discount rate	0.6～0.8%	1.0～1.2%
Long-term expected rate of return	1.5%	1.5%
Expected rate of salary increase	2.9%	2.6%

3. Defined contribution plan

The required contribution to the defined contribution plan amounts to ¥372 million and ¥462 million ($3,464 thousand) for the fiscal years ended March 31, 2022 and 2023, respectively.

(Tax Effect Accounting)

1. Breakdown of major reasons for deferred tax assets and deferred tax liabilities

	As of March 31, 2022	As of March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Deferred tax assets:			
Net losses carried forward (Note 2)	4,577	4,217	31,583
Allowance for doubtful accounts	574	292	2,191
Provision for bonuses	776	906	6,790
Provision for product warranties	357	1,129	8,461
Net defined benefit liability	1,294	1,275	9,550
Provision and accrual for directors' retirement benefits	95	64	484
Loss on valuation of inventories	1,582	2,417	18,104
Research and development expenses	1,761	1,662	12,446
Impairment loss	275	327	2,451
Deferred revenue	416	449	3,369
Elimination of unrealized income on inventories	925	1,031	7,727
Other	4,743	5,529	41,406
Total gross deferred tax assets	17,380	19,305	144,566
Valuation allowance for tax losses carried forward (Note 2)	(3,664)	(4,177)	(31,279)
Valuation allowance for total amount of deductible temporary differences	(4,613)	(5,701)	(42,698)
Valuation allowance (Note 1)	(8,278)	(9,879)	(73,978)
Total deferred tax assets	9,102	9,426	70,588
Deferred tax liabilities:			
Net defined benefit asset	(1,274)	(1,703)	(12,759)
Valuation difference on available-for-sale securities	(9,765)	(9,469)	(70,914)
Retained earnings of subsidiaries and associates	(1,723)	(1,891)	(14,160)
Other	(26)	(24)	(184)
Total deferred tax liabilities	(12,790)	(13,089)	(98,018)
Net deferred tax assets (liabilities)	(3,687)	(3,663)	(27,430)

(Notes) 1. There is no significant change in the valuation allowance.

2. The amounts of tax losses carried forward and deferred tax assets by carry-forward expiry period are as follows:

As of March 31, 2022

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)	Due after five years (Millions of yen)	Total (Millions of yen)
Tax losses carried forward (*1)	347	86	215	259	329	3,337	4,577
Valuation allowance	184	7	44	105	40	3,282	3,664
Deferred tax assets	163	79	171	154	289	54	912

As of March 31, 2023

	Due within one year (Millions of yen)	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)	Due after five years (Millions of yen)	Total (Millions of yen)
Tax losses carried forward (*1)	15	59	65	46	74	3,957	4,217
Valuation allowance	14	57	65	46	74	3,919	4,177
Deferred tax assets	0	1	-	-	-	38	40

As of March 31, 2023

	Due within one year (Thousands of U.S. dollars)	Due after one year and up to two years (Thousands of U.S. dollars)	Due after two years and up to three years (Thousands of U.S. dollars)	Due after three years and up to four years (Thousands of U.S. dollars)	Due after four years and up to five years (Thousands of U.S. dollars)	Due after five years (Thousands of U.S. dollars)	Total (Thousands of U.S. dollars)
Tax losses carried forward (*1)	112	441	486	348	559	29,634	31,583
Valuation allowance	106	429	486	348	559	29,349	31,279
Deferred tax assets	5	12	-	-	-	284	303

(*1) The amounts of tax losses carried forward are multiplied by the statutory tax rate.

2. Reconciliation of significant difference between statutory tax rate and effective tax rate after application of tax effect accounting

	As of March 31, 2022	As of March 31, 2023
Statutory tax rate	30.6%	30.6%
Reconciliation:		
Increase (decrease) in valuation allowance for deferred tax assets	(6.5)	6.4
Non-taxable income for income tax purposes (e.g. dividend income)	(0.5)	(0.6)
Non-deductible expenses for income tax purposes (e.g. entertainment expenses)	2.6	2.1
Inhabitant tax on per capita basis	0.3	0.2
Tax deductions related to R&D activities	(5.2)	(6.7)
Different tax rates applied to consolidated subsidiaries	(3.2)	(1.8)
Amortization of goodwill	0.3	0.3
Share of profit (loss) of entities accounted for using equity method	0.2	0.2
Retained earnings of subsidiaries and associates	2.1	2.0
Other	(0.6)	(0.3)
Effective tax rate after application of tax effect accounting	19.9	32.3

(Revenue Recognition)

1. Information on disaggregation of revenue from contracts with customers

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segment				Other businesses (Note)	Total
	Light sources business	Optical equipment business	Imaging equipment business	Total		
Halogen lamps	10,450	–	–	10,450	–	10,450
Discharge lamps	38,334	–	–	38,334	–	38,334
Solid-state light sources	9,026	–	–	9,026	–	9,026
UV equipment	–	28,812	–	28,812	–	28,812
Optical equipment and other	–	19,293	–	19,293	–	19,293
Cinema equipment	–	–	17,017	17,017	–	17,017
General imaging equipment	–	–	19,729	19,729	–	19,729
Other	–	–	–	–	3,450	3,450
Revenue from contracts with customers	57,811	48,105	36,746	142,663	3,450	146,114
Other revenue	–	280	2,426	2,707	–	2,707
Sales to external customers	57,811	48,386	39,173	145,371	3,450	148,821

(Note) "Other businesses" represents business segments that are not included in other reportable segments and other revenue-generating business activities, including industrial machinery and fund management activities.

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segment				Other businesses (Note)	Total
	Light sources business	Optical equipment business	Imaging equipment business	Total		
Halogen lamps	12,942	–	–	12,942	–	12,942
Discharge lamps	38,772	–	–	38,772	–	38,772
Solid-state light sources	10,099	–	–	10,099	–	10,099
UV equipment	–	38,469	–	38,469	–	38,469
Optical equipment and other	–	19,009	–	19,009	–	19,009
Cinema equipment	–	–	20,803	20,803	–	20,803
General imaging equipment	–	–	25,328	25,328	–	25,328
Other	–	–	–	–	4,087	4,087
Revenue from contracts with customers	61,813	57,478	46,132	165,424	4,087	169,512
Other revenue	–	316	5,196	5,512	–	5,512
Sales to external customers	61,813	57,794	51,328	170,937	4,087	175,025

Fiscal year ended March 31, 2023

(Thousands of U.S. dollars)

	Reportable segment				Other businesses (Note)	Total
	Light sources business	Optical equipment business	Imaging equipment business	Total		
Halogen lamps	96,917	–	–	96,917	–	96,917
Discharge lamps	290,344	–	–	290,344	–	290,344
Solid-state light sources	75,625	–	–	75,625	–	75,625
UV equipment	–	288,073	–	288,073	–	288,073
Optical equipment and other	–	142,349	–	142,349	–	142,349
Cinema equipment	–	–	155,784	155,784	–	155,784
General imaging equipment	–	–	189,670	189,670	–	189,670
Other	–	–	–	–	30,609	30,609
Revenue from contracts with customers	462,887	430,423	345,454	1,238,765	30,609	1,269,374
Other revenue	–	2,366	38,915	41,281	–	41,281
Sales to external customers	462,887	432,790	384,370	1,280,047	30,609	1,310,656

(Note) "Other businesses" represents business segments that are not included in other reportable segments and other revenue-generating business activities, including industrial machinery and fund management activities.

2. Information that forms the basis for understanding revenue from contracts with customers

(1) Sales of products

For halogen lamps, discharge lamps and solid-state light sources, this is primarily the manufacturing and sales of various lamps. For the sales of these products, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. The alternative treatment prescribed in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition has been applied for products sold in Japan, and revenue is recognized when products are shipped provided that there is an ordinary length of time between shipping and when the control is transferred to customers. In addition, consideration for transactions is generally received within four months after delivery of the product.

For UV equipment, optical equipment and other, this is primarily the manufacturing and sales of various lithography equipment. For the sales of these products, where there is installation of such products based on a contract with the customer, customers generally do not receive benefits without installation, so the products and installation are identified as a single performance obligation. In such case, the control of the assets is transferred to the customer when the confirmation of agreed performance such as the customer's acceptance of the product has been completed, so that is when revenue is recognized. In addition, for some products that do not include installation work, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. Further, consideration for transactions is primarily received in stages according to the payment terms of the contract.

For cinema equipment and general imaging equipment, this is primarily the manufacturing and sales of various projectors. For the sales of these products, the control of the products is deemed to be transferred upon delivery to the customer, so revenue is recognized at the time of delivery. Significant financing components exist when part of the payments represent receivables over a long period, but this is immaterial. In addition, consideration for transactions is generally received within two months after delivery of the product. For some customers, consideration is received in stages according to the payment terms of the contract.

(2) Provision of maintenance services

For UV equipment, optical equipment and other, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period. For contracts where the performance obligations are primarily satisfied when the provision of maintenance ends, revenue is recognized at such time. In addition, for optical equipment and some other products, variable consideration corresponding to the product' s capacity utilization rate is included in the transaction price only to the extent that it is highly probable that a material reversal of the cumulative amount of revenues recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Further, consideration for transactions is received in stages, generally corresponding to the progress of performance obligations in accordance with the terms of the contract.

For cinema equipment and general imaging equipment, maintenance services are provided for the products sold based on a separate contract. Maintenance services primarily guarantee the steady operations of products, including the replacement of maintained items. For the identification of performance obligations, for contracts that provide for performance obligations to be satisfied over time, revenue is recognized according to the contract period. In addition, consideration for transactions is primarily received in stages according to the payment terms of the contract.

3. Information concerning the satisfaction of performance obligations based on contracts with customers and the relationship with the cash flows that arise from such contracts as well as the amount of revenue and timing forecast to be recognized in or after the next fiscal year from contracts with customers that are in place at the end of the current fiscal year

(1) Balance of contract assets and contract liabilities

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Receivables from contracts with customers (at beginning of period)	33,806	34,415	257,718
Receivables from contracts with customers (at end of period)	34,415	37,403	280,094
Contract assets (at beginning of period)	-	-	-
Contract assets (at end of period)	-	-	-
Contract liabilities (at beginning of period)	12,280	14,388	107,750
Contract liabilities (at end of period)	14,388	11,731	87,853

Contract liabilities for UV equipment, optical equipment and other are related to advances received from customers according to the payment terms of the contract for products that include installation work and for which revenue is recognized when the confirmation of agreed performance such as the customer's acceptance of the product has been completed. For cinema equipment and general imaging equipment, this primarily refers to advances received from customers according to the payment terms of the contract for maintenance services contracts. Contract liabilities are reversed on recognition of revenue.

The amount of revenue recognized in the previous fiscal year that was included in the balance of contract liabilities as of the beginning of the period is ¥8,362 million.

In addition, the change in contract liabilities was due to a decrease from the reversals associated with the recognition of revenue and an increase from the receipts from customers. There were no changes in terms causing significant change in the balance.

There was no revenue (primarily, change in transaction price) recognized in the previous fiscal year arising from performance obligations satisfied (or partially satisfied) in past periods.

The amount of revenue recognized in the current fiscal year that was included in the balance of contract liabilities as of the beginning of the period is ¥10,972 million ($82,163 thousand).

In addition, the change in contract liabilities was due to a decrease from the reversals associated with the recognition of revenue and an increase from the receipts from customers. There were no changes in terms causing significant change in the balance.

(2) Transaction price allocated to remaining performance obligations

The Company and its consolidated subsidiaries apply the practical expedient in describing the transaction price allocated to remaining performance obligations and do not include notes on contracts where the initially expected contract period is one year or less.

(Light sources business)

For the light sources business segment, the initially planned contract period with customers is one year or less, so the total amount of transaction price allocated to remaining performance obligations and the period forecast for recognizing revenue are omitted.

(Optical equipment business)

For the previous fiscal year, performance obligations that have not yet been satisfied (or partially not yet satisfied) were ¥18,864 million. Such performance obligations are related to the manufacturing and sales of products that include installation work in UV equipment, optical equipment and other. Approximately 60% of the revenue is forecast to be recognized within one year from the end of the period, with approximately 30% recognized within two years and the remaining 10% recognized within three years.

For the current fiscal year, performance obligations that have not yet been satisfied (or partially not yet satisfied) were ¥38,161 million ($285,770 thousand). Such performance obligations are related to the manufacturing and sales of products that include installation work in UV equipment, optical equipment and other. Approximately 50% of the revenue is forecast to be recognized within one year from the end of the period, with approximately 48% recognized within two years and the remaining 2% recognized within three years.

(Imaging equipment business)

Such performance obligations are related to the manufacturing and sales of various projectors in cinema equipment and general imaging equipment, with the total amount of transaction price allocated to remaining performance obligations and the period forecast for recognizing revenue as follows.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Due within one year	547	1,032	7,729
Due after one year and up to two years	712	624	4,674
Due after two years and up to three years	647	558	4,178
Due after three years and up to four years	566	503	3,767
Due after four years and up to five years	411	406	3,040
Due after five years	747	807	6,044
Total	3,632	3,930	29,435

(Segment Information, etc.)

Segment information

1. Summary of reportable segments

The Company defines a reportable segment as a component of the Company for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to assess its business performance and make decisions about resources to be allocated to the segment.

The Company has a division system based on product type and similarity in sales market, etc., and each division develops and implements comprehensive domestic and overseas strategies for its development, manufacturing and sales of products and service, and engages in its business activities globally.

Thus, reportable segments of the Company are divided into three categories based on product type and sales market.

"Light sources business" conducts manufacturing and sales of halogen lamps and discharge lamps, etc.

"Optical equipment business" conducts manufacturing and sales of optical equipment, etc.

"Imaging equipment business" conducts manufacturing and sales of imaging equipment, etc.

2. Methods of determining the amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

Accounting policies for business segment reported are generally consistent with those given in "Significant Matters Forming the Basis of Preparation of Consolidated Financial Statements."

Segment profit presents the operating profit of the segment.

Intersegment sales and transfers are recognized based on the market price.

3. Information about net sales, segment profit or loss, assets, liabilities and other items by reportable segment

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segment				Other businesses (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
	Light sources business	Optical equipment business	Imaging equipment business	Total				
Net sales								
Sales to external customers	57,811	48,386	39,173	145,371	3,450	148,821	–	148,821
Intersegment sales or transfers	9	24	7	41	36	77	(77)	-
Total	57,820	48,410	39,180	145,412	3,486	148,899	(77)	148,821
Segment profit (loss)	8,288	4,620	(53)	12,855	112	12,968	100	13,068
Segment assets	101,016	84,888	51,325	237,230	67,260	304,490	16,605	321,096
Other items:								
Depreciation	3,025	2,206	1,671	6,903	36	6,939	–	6,939
Amortization of goodwill	52	110	–	163	–	163	–	163
Investment in associates under equity method	–	191	–	191	–	191	–	191
Increase in property, plant and equipment and intangible assets(Note 4)	1,831	3,600	1,673	7,104	274	7,378	–	7,378

(Notes) 1. "Other businesses" represents business segments that are not included in other reportable segments and other revenue-generating business activities, including industrial machinery and fund management activities.

2. Adjustments are as follows:

(1) Eliminations or unallocated amounts of segment profit (loss), amounting to ¥100 million, include elimination of intersegment transactions totaling ¥107 million.

(2) Eliminations or unallocated amounts of segment assets, amounting to ¥16,605 million, include elimination of intersegment receivables and payables totaling ¥(9,597) million and corporate assets not allocable to any reportable segment or other revenue-generating business activities totaling ¥26,321 million that consists primarily of surplus funds (cash and securities) and long-term investments (investment securities), etc.

3. Segment profit (loss) is reconciled to operating profit on the consolidated statement of income.

4. The increase in long-term prepaid expense is included in increases in property, plant and equipment and intangible assets.

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segment				Other businesses (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
	Light sources business	Optical equipment business	Imaging equipment business	Total				
Net sales								
Sales to external customers	61,813	57,794	51,328	170,937	4,087	175,025	–	175,025
Intersegment sales or transfers	11	10	4	27	26	53	(53)	–
Total	61,825	57,805	51,333	170,964	4,113	175,078	(53)	175,025
Segment profit (loss)	9,020	7,160	(642)	15,539	191	15,730	130	15,861
Segment assets	101,373	91,922	67,544	260,839	80,422	341,262	(17,640)	323,622
Other items:								
Depreciation	3,069	2,446	2,081	7,598	16	7,615	–	7,615
Amortization of goodwill	57	96	15	169	–	169	–	169
Investment in associates under equity method	–	117	–	117	–	117	–	117
Increase in property, plant and equipment and intangible assets (Note 4)	2,237	3,058	3,038	8,334	773	9,107	–	9,107

Fiscal year ended March 31, 2023

(Thousands of U.S. dollars)

	Reportable segment				Other businesses (Note 1)	Total	Eliminations or unallocated amounts (Note 2)	Amounts on consolidated financial statements (Note 3)
	Light sources business	Optical equipment business	Imaging equipment business	Total				
Net sales								
Sales to external customers	462,887	432,790	384,370	1,280,047	30,609	1,310,656	–	1,310,656
Intersegment sales or transfers	87	77	37	202	197	399	(399)	–
Total	462,975	432,867	384,407	1,280,250	30,806	1,311,056	(399)	1,310,656
Segment profit (loss)	67,552	53,624	(4,814)	116,362	1,436	117,798	980	118,779
Segment assets	759,123	688,350	505,798	1,953,272	602,238	2,555,510	(132,098)	2,423,412
Other items:								
Depreciation	22,988	18,321	15,588	56,898	126	57,024	–	57,024
Amortization of goodwill	433	721	114	1,269	–	1,269	–	1,269
Investment in associates under equity method	–	879	–	879	–	879	–	879
Increase in property, plant and equipment and intangible assets(Note 4)	16,756	22,900	22,753	62,411	5,790	68,202	–	68,202

(Notes) 1. "Other businesses" represents business segments that are not included in other reportable segments and other revenue-generating business activities, including industrial machinery and fund management activities.

2. Adjustments are as follows:

(1) Eliminations or unallocated amounts of segment profit (loss), amounting to ¥130 million ($980 thousand), include elimination of intersegment transactions totaling ¥129 million ($968 thousand).

(2) Eliminations or unallocated amounts of segment assets, amounting to ¥(17,640) million ($(132,098) thousand), include elimination of intersegment receivables and payables totaling ¥(43,826) million ($(328,186) thousand) and corporate assets not allocable to any reportable segment or other revenue-generating business activities totaling ¥26,183 million ($196,074 thousand) that consists primarily of surplus funds (cash and securities) and long-term investments (investment securities), etc.

3. Segment profit (loss) is reconciled to operating profit on the consolidated statement of income.

4. The increase in long-term prepaid expense is included in increases in property, plant and equipment and intangible assets.

Related information

Fiscal year ended March 31, 2022

1. Information by product and service

Information by product and service has been omitted as the similar information is disclosed in the segment information.

2. Information by geographic area

(1) Net sales

(Millions of yen)

Japan	North America		Europe	Asia		Other areas	Total
	U.S.A.	Other		China	Other		
39,955	28,296	1,278	11,244	37,364	30,054	627	148,821

(Note) Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America		Europe	Asia	Other areas	Total
	U.S.A.	Canada				
32,502	7,470	1,430	1,366	3,391	0	46,162

3. Information about major customers

Information about major customers has been omitted since there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

Fiscal year ended March 31, 2023

1. Information by product and service

Information by product and service has been omitted as the similar information is disclosed in the segment information.

2. Information by geographic area

(1) Net sales

(Millions of yen)

Japan	North America		Europe	Asia		Other areas	Total
	U.S.A.	Other		China	Other		
38,060	43,293	2,020	12,125	37,098	41,146	1,279	175,025

(Thousands of U.S. dollars)

Japan	North America		Europe	Asia		Other areas	Total
	U.S.A.	Other		China	Other		
285,010	324,201	15,133	90,797	277,809	308,118	9,585	1,310,656

(Note) Sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	North America		Europe	Asia	Other areas	Total
	U.S.A.	Canada				
31,795	11,800	1,596	1,458	3,828	1	50,480

(Thousands of U.S. dollars)

Japan	North America		Europe	Asia	Other areas	Total
	U.S.A.	Canada				
238,095	88,368	11,953	10,920	28,668	8	378,014

3. Information about major customers

Information about major customers has been omitted since there is no external customer who accounts for 10% or more of net sales in the consolidated statement of income.

Information on impairment loss on non-current assets by reportable segment

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segment			Total	Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Optical equipment business	Imaging equipment business				
Impairment loss	14	58	91	164	-	-	164

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segment			Total	Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Optical equipment business	Imaging equipment business				
Impairment loss	515	38	34	588	-	-	588

Fiscal year ended March 31, 2023

(Thousands of U.S. dollars)

	Reportable segment			Total	Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Optical equipment business	Imaging equipment business				
Impairment loss	3,861	287	260	4,409	–	–	4,409

Information on amortization and unamortized balance of goodwill by reportable segment

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segment			Total	Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Optical equipment business	Imaging equipment business				
Amortization for the year	52	110	–	163	–	–	163
Balance	137	97	–	235	–	–	235

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segment			Total	Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Optical equipment business	Imaging equipment business				
Amortization for the year	57	96	15	169	–	–	169
Balance	90	1	160	252	–	–	252

Fiscal year ended March 31, 2023

(Thousands of U.S. dollars)

	Reportable segment			Total	Other businesses	Eliminations or unallocated amounts	Total
	Light sources business	Optical equipment business	Imaging equipment business				
Amortization for the year	433	721	114	1,269	–	–	1,269
Balance	679	9	1,199	1,888	–	–	1,888

Information on gain on negative goodwill by reportable segment

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

Related party information
Fiscal year ended March 31, 2022
1. Related party transactions
   Not applicable.

2. Information on the parent company and major associates
   Not applicable.

Fiscal year ended March 31, 2023
1. Related party transactions
   Not applicable.

2. Information on the parent company and major associates
   Not applicable.

(Per Share Information)

Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
Net assets per share ¥1,949.73 Basic earnings per share ¥104.54 Diluted earnings per share is not presented since no potential shares exist.	Net assets per share ¥2,074.27 Basic earnings per share ¥115.69 Diluted earnings per share is not presented since no potential shares exist.	Net assets per share $15.53 Basic earnings per share $0.86 Diluted earnings per share is not presented since no potential shares exist.

(Notes) 1. Diluted earnings per share is not presented since no potential shares exist.
2. The basis used for calculating basic earnings per share is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Profit attributable to owners of the parent	12,606	13,699	102,588
Profit not attributable to common shareholders	-	-	-
Profit attributable to owners of the parent attributable to common shares	12,606	13,699	102,588
Average number of common shares outstanding during the year (Shares)	120,586,712	118,414,343	118,414,343

3. The Company’s shares held by the trust for the stock remuneration plan for directors are recorded as treasury shares in shareholders’ equity which are deducted from the total number of shares issued at the balance sheet date for the purpose of calculating net assets per share (234,000 shares and 230,100 shares as of March 31, 2022 and 2023, respectively).
The Company’s shares held by the trust for the stock remuneration plan for directors are recorded as treasury shares in shareholders’ equity which are deducted from the weighted-average number of shares outstanding during the year for the purpose of calculating the basic earnings per share (238,895 shares and 230,700 shares for the fiscal years ended March 31, 2022 and 2023, respectively).

(Subsequent Events)

Acquisition of business

At an investment and loans discussion meeting held on November 29, 2022, Necsel Intellectual Property, Inc. (California, US), a consolidated subsidiary of the Company, resolved to acquire the laser module business of Blue Sky Research, Incorporated (California, US), and it entered into the business transfer contract with Blue Sky Research, Incorporated and acquired the business on April 3, 2023.

(1) Overview of business acquisition

1) Name of company transferred business and business descriptions

Name of company transferred business:	Blue Sky Research, Incorporated
Business descriptions:	Development and sale of laser module products

2) Date of the business acquisition

April 3, 2023

3) Legal form of the business acquisition

Acquisition of business in exchange for cash

4) Purpose of the business acquisition

To expand the Group’s solid-state light source business by obtaining the laser coupling technology, product lineup, and customer base of Blue Sky Research, Incorporated.

(2) Matters relating to the calculation of the acquisition cost

1) Acquisition cost of business and components thereof by consideration type

Consideration for the acquisition:	Cash	¥1,381 million ($10,345 thousand)
Acquisition cost:		¥1,381 million ($10,345 thousand)

Regarding the business acquisition value, note that the business transfer contract contains a price-adjustment clause and therefore the amount above is a provisional amount.

2) Details of contingent consideration as set out in the business transfer contract, and policy on accounting treatment thereof going forward

In accordance with the business transfer contract, the final acquisition cost will be adjusted in the event that certain situations arise. In the event that acquisition cost changes, goodwill and the amortization of goodwill will be revised.

3) Content and amount of major acquisition-related costs

Remuneration and fees for advisory services ¥36 million ($274 thousand) (approximate estimate)

(3) Matters concerning the allocation of acquisition cost

1) Breakdown of main assets acquired on the date of the business acquisition

Not confirmed at this stage.

2) Amount of goodwill, reason for recognition, amortization method and amortization period

Not confirmed at this stage.

Purchase of treasury shares

In accordance with the resolution by the Board of Directors meeting held on May 11, 2023 to purchase treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, paragraph 3 of the Companies Act, the Company has made the purchase of treasury shares as follows:

(1) Reason for purchase of treasury shares
To raise capital efficiency and enable the implementation of an agile capital policy.
(2) Details of purchase

Type of shares to be purchased:	Common shares of the Company
Total number of shares to be purchased:	20,000,000 shares (maximum)
Total amount of shares to be purchased:	¥30,000,000,000 ($224,651 thousand) (maximum)
Purchase period:	May 29, 2023 to May 10, 2024

(3) Results of purchase

Type of shares purchased:	Common shares of the Company
Total number of shares purchased:	3,495,000 shares
Total amount of shares purchased:	¥6,673,573,600 ($49,974 thousand)
Purchase period:	May 29, 2023 to July 21, 2023
Purchasing method:	Market purchase on the Tokyo Stock Exchange

Segment Classification Change

Management concluded that it would be vital to shift from a product-centric approach to a market-centric one to accelerate efforts to provide solutions as a Light Solutions Company under Vision 2030. It accordingly resolved to change reportable segments from the year ending March 31, 2024, in line with an organizational change implemented on April 1, 2023.

Ushio accordingly replaced its Light Source, Optical Equipment, and Imaging Equipment business segments with the Industrial Processes, Visual Imaging, Life Sciences, and Photonics Solutions business segments.

Below is a summary of reportable segment classifications.

Reportable segment	Key products
Industrial Processes	Light sources: UV lamps, OA lamps, and optical equipment lamps Equipment: UV equipment, curing equipment, EUV mask inspection light sources, and maintenance services
Visual Imaging	Light sources: Cinema lamps and data projector lamps Equipment: Digital cinema projectors, general imaging, video-related equipment, and maintenance services
Life Sciences	Light sources: Products incorporating Care222 Equipment: UV treatment equipment
Photonics Solutions	Light sources: Solid state light sources

The Company is calculating net sales, earnings, assets, liabilities, and other amounts for the new segments for the current fiscal year.

5) Annexed Consolidated Detailed Schedules

Annexed detailed schedule of corporate bonds

Not applicable.

Annexed detailed schedule of borrowings

Classification	Balance at beginning of current period (Millions of yen)	Balance at end of current period (Millions of yen)	Balance at beginning of current period (Thousands of U.S. dollars)	Balance at end of current period (Thousands of U.S. dollars)	Average interest rate (%)	Repayment term
Short-term loans payable	2,185	3,921	16,368	29,362	3.1	–
Current portion of long-term loans payable	16,402	–	122,825	–	–	–
Current portion of lease obligations	12	858	96	6,427	1.7	–
Long-term loans payable (excluding current portion)	–	1,410	–	10,558	0.4	2025
Lease obligations (excluding current portion)	61	2,305	460	17,267	2.5	From 2024 to 2043
Total	18,662	8,495	139,750	63,616	–	–

(Notes) 1. The average interest rate represents the weighted-average interest rate over the year-end balance of loans.

2. Regarding the average interest rates on lease obligations, the total amount before deducting interest equivalents included in the total lease payments is recorded as lease obligations, excluding some consolidated overseas subsidiaries that have adopted Leases (ASU No. 2016-02 (Topic 842)). The lease obligations are not included in the calculation of the average interest rates.

3. Foreign subsidiaries that have adopted Generally Accepted Accounting Principles in the United States applied Leases (ASU No. 2016-02 (Topic 842)) from the fiscal year ended March 31, 2023. Lease liabilities for operating leases that have been recognized as a result of adopting this standard have been included in the balance at end of current period of current portion of lease obligations and of lease obligations (excluding current portion).

4. The redemption schedule for long-term loans payable and lease obligations (excluding current portions) for the five years after the consolidated balance sheet date is as follows:

	Due after one year and up to two years (Millions of yen)	Due after two years and up to three years (Millions of yen)	Due after three years and up to four years (Millions of yen)	Due after four years and up to five years (Millions of yen)
Long-term loans payable	–	1,410	–	–
Lease obligations	695	530	359	238

	Due after one year and up to two years (Thousands of U.S. dollars)	Due after two years and up to three years (Thousands of U.S. dollars)	Due after three years and up to four years (Thousands of U.S. dollars)	Due after four years and up to five years (Thousands of U.S. dollars)
Long-term loans payable	–	10,558	–	–
Lease obligations	5,204	3,970	2,692	1,785

Annexed detailed schedule of asset retirement obligations

Information is omitted because the amounts of asset retirement obligations at the beginning and the end of the current fiscal year are not more than 1% of the total amounts of liabilities and net assets at the beginning and the end of the current fiscal year, in accordance with the provision under Article 92-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(2) Other Information

Quarterly information for the fiscal year ended March 31, 2023

(Cumulative period)	First three months	First six months	First nine months	Fiscal year ended March 31, 2023
Net sales (Millions of yen)	39,728	87,955	128,362	175,025
Profit before income taxes (Millions of yen)	6,455	13,993	18,111	20,220
Profit attributable to owners of the parent (Millions of yen)	3,858	9,512	12,078	13,699
Basic earnings per share (Yen)	32.18	79.91	101.81	115.69

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	32.18	47.87	21.80	13.78

Quarterly information for the fiscal year ended March 31, 2023

(Cumulative period)	First three months	First six months	First nine months	Fiscal year ended March 31, 2023
Net sales (Thousands of U.S. dollars)	297,499	658,642	961,229	1,310,656
Profit before income taxes (Thousands of U.S. dollars)	48,344	104,788	135,624	151,416
Profit attributable to owners of the parent (Thousands of U.S. dollars)	28,897	71,236	90,445	102,588
Basic earnings per share (U.S. dollars)	0.24	0.59	0.76	0.86

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (U.S. dollars)	0.24	0.35	0.16	0.10